CHFA BOARD OF DIRECTORS

Wednesday, May 26, 1999

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

9:30 a.m.

1. Roll Call ....

2. Approval of the minutes of the April 7, 1999 Board of Directors meeting. .... .702

3. Chairman/Executive Director comments ....

4. Discussion, recommendation and possible action relative to a final commitment on the following projects: (Dick Schermerhorn)

Number	Development	Locality	Units
99-012-S	Maplewood Apartments	Lakeside/ San Diego	79

Resolution 99-18. .... .812

Number	Development	Locality	Units
99-010-N	864 Ellis Street	San Francisco/ San Francisco	25

Resolution 99-19.. .... .832

Number	Development	Locality	Units
99-006-N	Walter House	Novato/Marin	7

Resolution 99-20. .... .854

5. Discussion, recommendation and possible action relative to an amendment of a final commitment on the following projects: (Dick Schermerhorn)

Number	Development	Locality	Units
98-033-S	Citrus Tree Apartments	Ventura/ Ventura	81

Number	Development	Locality	Units
98-027-S	North Hills Apartments	Fullerton/ orange	204

5. Discussion, recommendation and possible action relative to the adoption of a resolution approving the Five-Year Business Plan for fiscal years 1999/00 to 2003/04.

6. Discussion, recommendation and possible action relative to the adoption of a resolution approving the 1999/2000 CHFA Operating Budget.

7. Other Board matters ....

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

**** NOTE: Next CHFA Board of Directors Meeting will be July 8, 1999, at the Host Airport Hotel, Sacramento International Airport, Sacramento, California.**

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

The Burbank Airport Hilton
and Convention Center
2500 Hollywood Way
Burbank, California

Wednesday, April 7, 1999
9:30 a.m. to 12:05 p.m.

"Minutes approved by the
Board of Directors at its
meeting held: May 26, 1999

Attest: ______________

Reported and Transcribed by: Ramona Cota

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APPEARANCES

Directors Present:

CLARK WALLACE, Chairman

DONNA MAY CAMPBELL

EDWARD M. CZUKER

RICHARD FRIEDMAN

CARRIE A. HAWKINS

KEN S. HOBBS

PHYLLIS F. KLEIN

LORETTA LYNCH

ANGELO R. MOZILO

THERESAA. PARKER

Staff:

SANDY CASEY-HEROLD, Deputy General Counsel

JOJO OJIMA

For the Staff of the Agency:

WILLIAM CRANHAM, Director of Marketing

RICHARD A. LaVERGNE, Chief Deputy Director

G. RICHARD SCHERMERHORN, Director of Programs

JOHN G. SCHIENLE, Director, California Housing Loan Insurance Fund

LINN G. WARREN, Chief, Multifamily Lending

A P P E A R A N C E S (C O N T I N U E D)

Counsel to the Agency:

ANA MARIE DEL RIO, Orrick, Herrington & Sutcliffe

Members of the Public:

JIM BUCKLEY, Citizens Housing Corporation

OLAV HASSEL, City of Thousand Oaks

DURWIN SHEPSON, Villa San Ramon

INDEX

1

P R O C E E D I N G S

WEDNESDAY, APRIL 7, 1999 BURBANK, CALIFORNIA 9:30 A.M.

CHAIRMAN WALLACE: Okay, I will then call the meeting to order. Secretary, call the roll.

ROLL CALL

MS. OJIMA: Me. Klein for Mr. Angelides?

MS. KLEIN: Yes.

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

(No response).

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Here.

MS. OJIMA: Ms. Easton?

(No response).

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Here.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

MS. WIMA: Mr. Friedman for Ms. Nevis?

MR. FRIEDMAN: Here.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. WIMA: Mr. Gage?

(No response).

MS. OJIMA: Ms. Lynch?

(No response).

MS. OJIMA: Ms. Parker?

MS. PARKER: Here,

MS. OJIMA: We have a quorum.

APPROVAL OF THE MINUTES OF THE JANUARY 14, 1999 MEETING

CHAIRMAN WALLACE: Okay, let's go to Item number 2, approval of the minutes from the January 14, 1999 meeting.

MR. HOBBS: I'll move, Mr. Chairman.

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: Does that mean you were the only two that read them?

MR. HOBBS: Believe it or not I read them to sleep last night. It sort of went on and on and on.

CHAIRMAN WALLACE: Any discussion on the minutes, the motion on the minutes? If not, Secretary, call the roll.

MS. OJIMA: Ms. Klein?

MS. KLEIN: Yes.

MS. OJIMA: Ms. Campbell is not here. Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Mr. Friedman?
MR. FRIEDMAN: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: The minutes have been approved.
CHAIRMAN WALLACE: The minutes are approved.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Moving on to Item 3 where the Chairman and the Executive Director get to enlighten you, or whatever the other end of that might mean.

I want to apologize for the cancellation of the earlier meeting. We had quorum problems and I was two days out of the hospital and I sure wasn't going to fly down here. So for those of you who didn't get the word we apologize but I think most of you did. Most of you knew that the meeting was cancelled just because we were harassing, at least the Board Members, to try to get a quorum for a while and then find alternate dates.

That leads me to further announce that the next meting has been changed also and most of you probably know that. But if you look on the second page of your -- page 701 of your agenda you'll see that it is now scheduled for here.

Not necessarily the same room, although that's possible, but here at the Burbank Airport Hilton on the 26th of May. At the same time, probably, *Probably* meaning 9:30 again.

Okay, I'd like to welcome Loretta.

MS. WIMA: She's not here,

CHAIRMAN WALLACE: She's not here yet, from OPR. *And,* Phyllis, thank you for attending. We miss your boss but we understand you're the real boss anyway.

MS. KLEIN: Don't tell him that.

CHAIRMAN WALLACE: Yes. Welcome.

(Thereupon, Mmes. Loretta Lynch and Donna Campbell entered the meeting room.)

Loretta, we just introduced you and you're -- Now that's theatrical timing. But welcome, Loretta, we're happy to have you with us.

MS. LYNCH: *Thank* you, I'm happy to be here.

CHAIRMAN WALLACE: And we expect to see Donna Campbell back from BT&H.

MS. OJIMA: There she is.

CHAIRMAN WALLACE: Donna, we 8ee you. Welcome back. And Richard Friedman from HCD, welcome back,

MR. FRIEDMAN: *Thank* you.

CHAIRMAN WALLACE: Seasoned veterans now in their second meeting.

MR. FRIEDMAN: That's right.

CHAIRMAN WALLACE: So with that let me also make a note that if you're a member of the audience and you have or you're harboring thoughts of speaking to any of the issues there are not only the usual handouts of agenda and backup material on the back table but there's a form which you should fill out so we can make sure we have your name spelled correctly and other vital statistics in the record.

Lastly, from *my* standpoint, Bill Cranham reminded me as he passed out the federal legislative report which was just handed out to you that he is now serving in a dual capacity, for which he is very well-versed. He is our federal -- What do we call you, Bill? And be careful.

MR. CRANHAM: Acting Federal Legislative Director.

CHAIRMAN WALLACE: It's a heck of an act though, because he's been there, done that. And, Bill, we're pleased that you've been able to accommodate that assignment with your already extensive public relations and media role that you carry out so well for CHFA. So thank you for stepping up. And we'll miss Linda but, Angelo, we understand she's --

MR. MOZILO: We're the beneficiary of that.

CHAIRMAN WALLACE: She's going to be okay. We were worried about her but we aren't now. We understand we can borrow her back on rare occasions.

MR. MOZILO: Yes. No, any time you'd like, any time you'd like.

CHAIRMAN WALLACE: That's great, Linda Braunschweiger is with Countrywide now. We're happy for her and we're happy that we can still lean on her once in a while as Angelo just indicated. So those are a few of the remarks that I had. Terri, I know you have a couple so I'm lateraling it to you,

MS. PARKER: Okay, and I'll try to go through these quickly, Clark. The first thing I wanted to just mention as part of my remarks: Obviously at this meeting we're going to have some discussion about planning for our business plan which will be coming to you all in May. Because there are a number of your colleagues who aren't here today Dick and I have talked about this and our plan is to essentially put together after this meeting a synopsis that will be sent out to all of the Board of Directors of what the discussion was today, to your colleagues. And in that sense if there is any sdditional input that any of you have, or they have to give to us for planning purposes for us to be preparing the naterial to bring back to you in May, we will be essentially soliciting that additional information.

The second thing: You have at your seats a little brochure that we're handing out. This is the brochure on part of the Prop 1A School Facilities Fees Program; we are in :he process of developing one on multifamily, This program, both the single-family and multifamily programs are on the street and we actually just a day or two ago got our first application for the single-family program, An application was received for $2100 for a first time home buyer so we're very excited about the implementation.

And as you all recall at our last meeting when we were discussing the resolution that there were a number of concerns about the guidelines for our multifamily. We had some additional conversations with focus groups and stakeholders and had consensus around the terms where the affordability will be for 55 years. I think everyone in that sense feels very good about the dollars being able to be stretched and be leveraged as much as they can be.

The next thing I just wanted to talk a little bit about is to let you know that the CDLAC Committee has met for its first round of allocations. Phyllis, I think, is probably just now recovering from all the work that she had to do of trying to figure out how to squeeze over $4 million worth of applications for a first round when there was only $1.6 billion for the entire year, And I think actually Phyllis got a standing ovation *from* the group. So if you can imagine -- And there were a lot of people who left with substantially less than what they were asking for. But the Agency received funding for the multifamily applications that we had before them for that round.

We also received a $25 million allocation for our single-family and there is a reservation of $430 million for single-family, of which at the moment what the Treasurer and the committee members are talking about is half of it going to locals and half of it going to the state. So we will be talking about production goals at our May meeting based on the assumptions around that dollar amount.

The other thing I wanted to tell you about is you all recall in our business plan last year we adopted a new program called the HELP Program which is a program to partner with locals, either on single-family or multifamily programs. We have done -- And it was $20 million a year for five years Over the business plan's five-year plan. We have just done our first round of applications for about $10 million. There's eight projects and we're in the process of working out the terms and conditions, but they are both single-family and multifamily. They are a very good cross-section of projects and we've been very pleased about the response from the locals.

Last thing: We have some information on where we are on the lobbying campaign for bond cap and tax credits and Sill has given you an update. I think the important thing to note here is because markup of the tax bills are going to be sometime this summer that NCSHA is essentially telling us that we have seven weeks to try to get co-sponsors at the level that we had last year so that when they go in and set priorities they will essentially see that this is one of the top priorities, bipartisanship support,

At the LEGCON meeting of NCSHA in March Chairman Archer did come to the committee meeting and essentially committed to finish the job that was done by the House and Congress last year where they essentially gave half of the bond cap increase to us, but it doesn't start until 2003. So Bill and I have been back with Linda twice. Linda has been very actively involved and we are utilizing her. We're going to try to go back again in a couple of weeks to essentially increase the California commitment because at the moment we only have 15 members. So we're going to be pushing hard on this in the next couple weeks.

And depending on how things go -- What we're trying to do, we got 85 percent of the allocation so we're trying to just go back and say, you know, this is half the cost of what it was last time, you know, can't you just sign on, assuming that should be easy to do, And if we can get that moved up then we're going to essentially work on what would be the tougher group, the eight members who didn't sign on last time and working through the White House. So we will keep you posted.

CHAIR'' WALLACE: Do you want anything from us? Some of us, a lot of us, Board Members.

MS. PARKER: I think what I'd like to do at this particular point in time is wait until the next meeting that we have. We have been working through the Governor's Office and my plan is to try to go back through them again. In that sense we've been trying not to -- Vic Fazio has offered to also work on thie issue and we want to try to wait and essentially ask for, you know, sort of the heavy hitters when we think that we have exhausted what we think is no-brainers.

A lot of the staff are essentially saying, gee, it's an oversight. I think that they don't realize the urgency about this time constraint and that's what we need to essentially make a better play of letting them know that there is urgency to this. I've also talked to our colleagues in Texas. They think that they're going to be getting a letter from George W. Bush to the Texas delegation in support of this so I think that may be something that other states can use, particularly with Republicans on the Bill.

CHAIRMAN WALLACE: Okay. Any questions on anything that Terri and I have just discussed under Item 33 If not let's move on to the action items on Item 4. Dick, before you do, I saw Jim Buckley before the meeting, from BRIDGE, and he said he was involved, BRIDGE was involved in this project but I didn't see anything to that effect. And I don't see Jim.

MR. WARREN: Mr. Chairman, Jim is no longer with

BRIDGE Housing, he is with --

CHAIRMAN WALLACE: That's where the conflict --

MR. SCHERMERHORN: Not a problem for you.

CHAIRMAN WALLACE: Because he raised my inquiry notes because I'm a Board Member of BRIDGE and have been since its inception and I usually then step aside here. No conflict, I'll stay in the chair. Okay then, Dick, let's talk about Light Tree Apartments.

RESOLUTION 99-13

MR. SMERMERHORN: Yes, Mr. Chairman, members of the Board. This first project request we have for you today is a final commitment request for two mortgages totalling $6,975,000. It's for a 94-unit acquisition rehab project called Light Tree Apartments located in East Palo Alto in San Mateo County. This is a preservation project and I know we have a mix of levels of understanding of what we're doing on the Board right now because of changes that have taken place. Some of you are very familiar with what we're doing with the preservation projects and some of you may not be so let me just take a moment and quickly focus on what we're talking about here.

This is a project that had Section 8 subsidy project-based contract on it that has expired and it is now on an annual renewal basis. One of the issues that we have in trying to salvage these expiring use Section 8 projects is that those rental contracts are supporting tenants at 30 percent of their income or less. The simple illustration I use is, that tenant base, their income could support, let's say a monthly income of $100,000, but the debt requirement on the project takes $150,000. The difference in that is made up by the Section 8 contract. You take the Section 8 contract away and you have a shortfall project and then default.

The projects right now are going to do one of two things with expiring, the 20 year contracts are expiring. They are either going to go conventional, which means you lose the affordable units out of there but the owners can get rental rates and can debt-service their mortgage, or some form of subsidy or financial support is going to get structured to maintain the economic viability of the projects and therefore the tenants in place. So those projects that are renewing their Section 8 contracts in effect can stay viable as they are right now.

What we *are* attempting to do in salvaging these is recognize that there is the possibility that the Section 8 financial support may go away in a year and when that happens m e option again is the project is lost to the affordable marketplace, it could go conventional. What we would like to do is preserve these as affordable units but we're not going to substitute for the federal government's Section 8 subsidy in the projects.

What we're trying to do is come up with a financial structure that is feasible and will work over the long term. And for those of you who were here on the Board when we did the Chelsea projects in Northern California, this is a template, this is another one of those projects that fits that template. And the key to it is the transition funding account, that's the key in these deals.

What we do is we have a project that is being acquired, in this case by a nonprofit. We can put a first mortgage in place. The first mortgage is structured to debt-service the project assuming tenant incomes at 50 to 60 percent of median income. The tenant profile in place right now is at 30 percent of median income or less; there is a financial difference. But as long as the project can keep getting the Section 8 contracts then the new mortgage is comfortably in place.

If the Section 8 contract goes away what has to happen is a change in the economic contribution of the tenants in the project, and the reality may very well be that not all of the tenants can meet the income requirements, have the income to stay in the project absent some kind of financial support. We recognize that that can happen and it will have to be addressed by the project. There may be a tenant profile change but it can't occur overnight. There has to be a reasonable period of time for the project and the tenants to adjust to a new situation if that situation occurs, hence the requirement on our part for this transition fund.

We set up a transition fund at the front end of the transaction like this so there's X amount of dollars in there. And as time goes along, at a point in time that if the subsidy is lost there will still be enough funds in the transition account to account for a reasonable period of time to assist the project in covering a shortfall in income until one of two things takes place, either additional financial assistance comes in to help the tenant who is in place in the project or the tenant profile changes to bring in tenants who can pay the 50 to 60 percent of income requirement to meet the debt-servicing requirements of the project.

That in a rather large nutshell is what we're doing with these preservation projects. And this is one, like I said, that's like Chelsea. It is structured that way. We're talking about a first mortgage with a transition fund. And each of the transition fund structures may be a little different from project to project because of the projections that we may do on it.

One additional caveat on this project that may or may not have been clear in the write-up. There currently is a Section 8 annual renewing contract on the project. It is not for 100 percent of the units, it's only for a portion of the units. What the local housing authority wants to do is substitute a project-based authority that they have for a three year period, that could be renewable for another three years, of project-based. And then if that is not available after that period of time, go back and apply to the annual renewal under HUD's renewal process so that they don't have to go through the renewal process every year. That's one of the strategies there.

All the t's have not been crossed and i's dotted on that particular strategy but we do know that they can, at least for the three years and probably *six* years, the project will be supported by the locality Section 8. The question will be what happens after that. But that's the question anyway. Hence the transition fund is in place to cover whatever happens at that end of time. So that's the structure of how we're trying to do the preservation.

This is in a location that we definitely need to preserve more affordable housing. We can came back on questions on this. First I'd like to have Linn walk you through the project specifics so that you know what we're Looking at and talking about here.

(Video presentation of project begins.)

MR. WARREN: Thank you, Dick. As Dick indicated Light Tree is located in Bast Palo Alto directly adjacent to

Highway 101. The project is 30 years old and it is surrounded by this brick masonry wall, This is the only vehicular access into the property, To the rear of it here is a nursery. I'll get into the redevelopment area in a moment but this is potentially slated for redevelopment. The interior parking area.

There are two types of building structures in Light Tree. One is the two-story townhomes that contain two- and three-bedroom units and in the rear here is three-story flats that contain the studios and the one-bedroom units. The rehab for the property will include a new slurry and seal coat for the parking area, exterior painting. Fortunately, even though this is a 30 year old project the roofs were recently replaced and there is minimal work that will be needed. Some roof repair will be required but not that much.

The interior courtyards, there are several of these. This will all be subject to rehabilitation. As you can see it's a little bit tired looking. These fencing areas will be replaced as well as the increased landscaping for the project, Again, interior courtyards, These balconies will be examined. Where these members can be retained they will be, otherwise they'll be torn down and repaired.

As always with rehab projects a particular concern to the Agency is the seismic and whenever we have tuck-under parking as we have here we commission a study to see what additional work needs to be done. Seismic retrofit is required. These boxes here generally need to be strengthened, either with sheer-wall plywood or other stronger materials. The cost for this has been included into the rehab budget for the project. There is a play area to the rear of the project. This will all be resurfaced and the sponsors will be including new play equipment.

Directly adjacent to Light Tree is the Gateway 101 redevelopment area. East Palo Alto has suffered in the last 15 or 20 years of a real lack of commercial development and part of the county's efforts, San Mateo County's efforts, is to introduce this into a substantial rehabilitation. What is essentially a power center is being built here with Comp USA, Home Depot, other large box tenants.

You can't really see it very well but back in here is a small apartment complex. There were several of these up against the boundary of the redevelopment area. These are all being demolished so this housing stock is actually being reduced in the Palo Alto area. This is the same area looking down the street. This is the street that's directly adjacent to Light Tree. There is all sorts of potential back down this street for some new single-family development that may be occurring.

As I said earlier the project does abut Highway 101, this is a sound wall right here. When you're inside the site and the project the sound from Highway 101 is not all that intrusive.

(Video presentation of project ends.)

When we looked at the market for Light Tree it is similar to the problems that exist throughout all of the peninsula, it is that there is a real shortage of affordable housing and really increasing demand with Palo Alto as really no exception. There were only a few affordable housing projects that have been developed in Palo Alto over the past few years and we have found that the rent differentials between market rate and affordable housing rent for this project range between 20 and 30 percent,

Outside of Palo Alto the ranges can be 50 and 60 percent ranges so there is a substantial demand for affordable housing. And the rent pressures, as we found in the Bay Area, really continue unabated. So from a demand and a supply standpoint coupled with the Section 8 Uollars we think the project will be well received.

MR. SCHERMERHORN: The loan request as I mentioned was two loans, The first i s $6,475,000, a 30-year fully amortized loan at 5.9 percent. *The* second a $500,000 HAT Loan at 5.5 percent, one year deferred with scheduled payments after that. $250,000 of that goes to eet up the transition fund and the remainder of it is needed to assist supporting the immediate costs involved in getting the project acquired and rehabbed to put on-line.

The occupancy restrictions that will be in our regulatory agreement will be 20 percent at 50 percent of median and 100 percent of the project will now be 60 percent or less of median income. Which means we are increasing the affordability availability of this project because it's not currently a 100 percent affordable project. And as long as I mentioned the Section 8 contracts are available then those tenants whose income is considerably less than the 50 percent of median would continue to be eligible for this project also. An environmental review was done. The report concluded there was no evidence of any significant environmental conditions on the project. We'll need a satisfactory Article 34 opinion letter prior to loan close.

The borrower in this case will be a limited partnership to be formed with the general partner, Citizens Housing Corporation. It's a nonprofit entity that was established earlier in this decade in Northern California and has a current portfolio of some 800 units. We're familiar with this group. The A.F. Evans Company property management firm is scheduled for property management of the project. With that we're recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: Mr. Czuker.

MR. CZUKER: First I'd like to compliment staff on this particular project. I think it's a great priority for the organization to be working on these type of projects. Not just because of the nonprofit participation and the fact that we're taking Section 8 contracts that are expiring, which is a major problem throughout the country as well as throughout California. Many of these projects will end up going to market and will therefore lose the affordability component. So this is actually preserving affordable housing on a statewide basis and as a mandate I think it's terrific.

Specifically as it relates to this transition funding, which is always very tricky, I'm questioning two things. Whether there is any concern or issue that has been addressed as it may relate to relocation assistance. As the tenant profile changes, and we m y be forced to change because the existing tenant base, those that were being supported by the Section 8 contract, the tenant itself may be paying 10, 20, 30 percent of median income, very deep subsidies on median income. To roll to 50 and 60 percent of median income means that certain tenant profiles will change and turn over. Does that trigger under state law the potential, or under local law the potential, for tenant relocation assistance, and has that potential been addressed in the, call it the reserve deposit or the transition fund?

And then secondly, could you address for us on page 8171 the changing makeup of the Cash Flow from Year 1 to Year

3. On the bottom of the page you can see the debt coverage changing with the Section 8 transition reserve being addressed and the HAT principal payments kicking in.

MR. SCHERMERHORN: First on the relocation question. We are not aware of nor have we seen any evidence that an expiring Section 8 or any situation where a tenant's --the rent changes and the income doesn't keep track of it--triggers any financial obligation under a relocation requirement. That is only in the case where you may have a redevelopment agency project where you're displacing them from an action that's other than income-related.

What we have here, however, as I mentioned in the opening explanation is we recognize that there very well may be a situation in which tenants in the project will be forced with the decision at some point in time to either pay more money for their portion of the rent or have to relocate somewhere where they can afford it.

If the subsidy support goes away underneath them then there is not an obligation on the project, although one of the benefits, we think, of pursuing this particular strategy is getting a nonprofit in as the ownership. They do have a strong motivation to assist as far as is practical and possible to keep them supported in this kind of a project. But to our knowledge there is po financial requirement on a relocation basis.

As to your second question, I'll let Linn deal with that.

MR. WARREN: On the debt coverage ratios.

MR. CZUKER: Yes.

MR. WARREN: With respect to Years 1 through 5, or 1 through 3, we're including the Section 8 project cash but we're also including starting in Year 2 a set, scheduled payment for the HAT loan, assuming the money is available and not required. So you can see that there is no payment requirement in Year 1 which constitutes the high debt coverage ratios. Starting in Year 2 we are requiring a payment on the HAT loans commencing in Year 2 and ending in Year 5 and with that we've included those payments in the debt coverage ratios.

MS. KLEIN: A question about marketability. The studio units that are at 60 percent of median income look to be very close to the market rents. *Any* concerns about the level of rehab associated with the project as it relates to the marketability of these in the future once the Section 8 tenants move out?

MR. WARREN: I think that in any project where you have studio apartments, particularly not large ones, they're not terribly desirable and what you're seeing from a demand standpoint is the rents that reflect that. So given the shortage of housing would they move as fast as the two- and three-bedrooms? Probably not. But given the relative income that they contribute to the property, vis-á-vis the other units, the short answer is I don't believe it would be a particular concern for the project. It's something that has to be actively marketed. And if sometime in the future concessions are necessary for the studios with the management company we're prepared to do that,

MR. SCHERMERHORN: Yes. I would say, Phyllis, that this is not a normal circumstance we're dealing with. These are units that under most circumstances we would really take a very long look at. But you're in a market in which for the foreseeable future there isn't an ability to put an awful lot more units in that proximity. It's going to be a high demand area. It will work.

MS. KLEIN: I assume the other project that's going to be built by BRIDGE Housing does not contain any studio units.

MR. WARREN: I don't believe so, no.

CHAIRMAN WALLACE: *Any* other questions? Mr. Hobbs.

MR. HOBBS: Just a clarification. Dick, did I understand *you* to say that part of the HAT Loan is going to the transition account?

MR. SCHERMERHORN: Yes.

MR. HOBBS: Okay. And then a final question. There's a breakout in Operating Expenses of a special sewer assessment. Is that germane to the area or is that germane to this specific project?

MR. WARREN: I believe it's relative to the redevelopment area. It's a fairly healthy assessment.

CHAIRMAN WALLACE: Loretta.

MS. LYNCH: Is San Mateo County providing the Section 8 contract for all the current Section 8 housing?

MR. SCHERMERHORN: The current contract is being administered by the San Mateo County Housing Authority and their proposal is to take an authority that they have for project-based which has a longer time frame to it and they want to apply it there. So it's the San Mateo County Housing Authority that is making this decision.

MS. LYNCH: For the same number of units that are currently under Section 8?

MR. SCHERMERHORN: Yes. I believe it's 19 units in the project.

MR. WARREN: Approximately one-third.

MR. SCHERMERHORN: Yes. Approximately one-third of the units in the project are currently supported by Section 8 and will continue to be so under their proposal.

MS. LYNCH: Because your materials at 859 says 30 units, so that would be an increase?

MR. WARREN: Oh, I'm sorry. The local housing authority will be contributing 30 units under their particular contract with the balance being the existing Section 8 contract.

MS. LYNCH: Okay.

CHAIRMAN WALLACE: Donna.

MS. CAMPBELL: Just a question. Does this large a rehab project trigger any --

CHAIRMAN WALLACE: Donna, pull that mike a little closer.

MS. CAMPBELL: -- trigger any disabled access requirements? You mentioned in the rehab -- Is there any disabled access going to be done with this rehab?

MR. WARREN: Part of our requirement is an accessibility study in all of our rehabs. And that lends itself not necessarily to the units, we don't require handicapped units, but any common areas such as the rental office have to have accessibility. But more importantly the walkways. It's 30 years old. As you walk the project you can see it's not conducive to the disabled. Those will be modified to meet an accessibility which is certified to by the owners.

MS. CAMPBELL: Thank you.

CHAIRMAN WALLACE: Yes, Richard.

MR. FRIEDMAN: It's my understanding, correct me if I'm wrong, that with some of the Section 8 terminations, not all of them, existing tenants receive vouchers upon the termination of the project-based Section 8. Is that accurate?

MR. SCHERMERHORN: Yes.

MR. FRIEDMAN: Is that factored in, in terms of the transition that for the existing tenants they will be receiving vouchers or is this transition if the vouchers expire?

MR. SCHERMERHORN: It doesn't presume. We take a worst case scenario. We assume that it expires and there is no support. How does the project carry -- What is the transition period? How do we protect it on a financial basis so it can make a reasonable transition? Now yes, if they get vouchers that extend the periods in which the transition can take place the monies wouldn't be needed to be used during that period of time. You have to see what happens. The tenant may take the voucher and leave the project.

MR. FRIEDMAN: But then I presume you don't have the transition issue for that tenant. A new tenant comes in prepared to pay the higher rent.

MR. SCHERMERHORN: Right, right. But we don't know that at this point in time. So we've taken the worst case scenario in planning out the transition plans and say, nobody gets anything, it stops right now, how Bo we protect it for a period of time.

CHAIRMAN WALLACE: Further questions from the Board or anyone in the audience? Jim, are you happy so far?

MR. BUCKLEY: Yes, thank you, Clark. I just want to say that we really appreciate the work the staff has done. To take all the questions this kind of project presents, find the answers to them to help us move it along, it's been terrific working with them.

CHAIRMAN WALLACE: That's Jim Buckley with the project.

MS. KLEIN: I have one more basic question. What is the determination for whether CHFA will utilize its ability to use these HAT proceeds in a transaction?

MR. SCHERMERHORN: It's on a by project basis and in the case -- There are two fundamental considerations that we have here on this. One is, does the project need HAT Bridge Loan funding to qualify for four percent credit if it wants it and we make up that gap. And the second is, are the resources sufficient to the project to do the financial strategy that we're talking about here or do we need to augment it somehow to fill in. This is one where there's an augmentation that we need to do in order to make it work.

(Thereupon, Ms. Donna Campbell
exited the meeting roam.)

MS. KLEIN: Okay. I also would commend staff for trying to reach deeper into this type of project and provide the additional resources necessary to make this type of project a reality that couldn't be served anywhere else in the marketplace, which is an important role that CHFA serves.

CHAIRMAN WALLACE: Can we have a motion commending staff. No, the Chair would entertain a motion on the project to move approval.

MR. CZUKER: So moved.

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: A motion by Czuker, second by Hawkins. *Any* discussion on the motion? Okay, Secretary, call the roll.

MS. OJIMA: Ms. Klein?

MS. KLEIN: Aye.

MS. OJIMA: Ms. Campbell?

(No response).

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. WIMA: Mr. Mozilo?

MR. MOZILO: Aye,

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye,

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-13 has been approved.

CHAIRMAN WALLACE: Resolution 99-13 has been approved. Moving on to the next, Dick again, Oakcreek Villas.

RESOLUTION 99-14

MR. SCHERMERHORN: Yes, Mr. Chairman. This is a pretty straightforward new construction proposal. It's a final commitment request for two loans totaling $4,125,000. The first mortgage is in the amount of $3,100,000 fully amortized over 30 years, the second loan is a $1,025,000 Bridge Loan amortized over three years. The project in question is Oakcreek Villas Senior Apartments, a proposed 57 unit senior apartment project located in Thousand Oaks in Ventura County.

The developer has received a conditional fund reservation from the City of Thousand Oaks in the amount of $1 million in HOME Funds and a grant in the amount of $630,000. Those loans would be subordinate to the Agency's loans. And for a review of the project, Mr. Warren,

(Video presentation of project begins,)

MR. WARREN: This is the entryway into the Oakcreek Villas. As Dick indicated this is a 57 unit senior project. It is a single building with this mediterranean style and a central courtyard right in here. There is semi-subterranean parking off to the side. Let me show you what the lot looks likes to give a better impression of some of the issues the development team had. This is essentially what is called a flag lot, albeit a rather narrow flag lot.

To the left here we have a creek which has necessitated that the building elevation be raised somewhat to accommodate a hundred year flood plain. To the rear of the project in here is a concrete culvert and drainage system. There's a fair amount of water that flows through here in the winter months. This central courtyard which you saw from the prior rendering is the reception area for the senior project and the parking is underneath with the central courtyard. There are office buildings to the side here and to the front right here on Thousand Oaks Boulevard is an auto parts store.

This is the entryway to the project, this rather narrow opening in here. Looking down Thousand Oaks Boulevard the project's neighbors are essentially retail and commercial stretching in both directions. In the opposite direction on Thousand Oaks Boulevard is a new shopping center. This is the southerly boundary of the site with the adjacent office buildings. This is a good picture of the concrete drainage canals that exist behind the project. This is new condominium housing on this rise behind the project. This is looking out towards Thousand Oaks Boulevard.

This will be an auxiliary access road, this will be the primary access road up through these trees. The project previously was a single-family home with small outbuilding structures. Again this is an adjacent boundary. More condominium housing. The creek that I talked about is over in this area.

(Video presentation of project ends.)

When staff looked at the market in Thousand Oaks one thing that we found was that there has been a real absence of multifamily building in Thousand Oaks. There's only a few market rate projects as a whole in the area. And in your materials the chart on page 884 indicates that the rent differentials between market rate and the affordable rents that are being proposed for this senior project are significant. They range between $300 and $600 per unit at 50 and 60 percent rents.

We have been unable to determine if any new affordable housing projects are going to be built in Thousand Oaks but we do know from the demographic profiles that we have seen that the seniors that live in the area, and there's a substantial number of them, are enduring some fairly high rent burdens well in excess of 30 percent, somewhere upwards of 50 percent of their income is going toward rent.

So given what we perceive to be a real lack of affordable housing in this particular area, particularly for seniors, and the rent demands, the estimated absorption rates, we see them as low as two and three months for this particular project. So staff is satisfied that the demand for this is there and certainly the supply isn't evident so this would fit in nicely to the community. Dick.

MR. SCHERMERHORN: The occupancy restrictions are again 20 percent of the units restricted at 50 percent for our regulatory agreement and 100 percent of the units under tax credit regulatory constraints. An environmental review was done on the project, the report indicated no environmental impact to the site. We'll need the Article 34 satisfactory opinion letter.

Edison Capital Housing Investments is developing the project. At the point in time in which we would do the take-out loan it's proposed that the limited partner would be one with Many Mansions as the general partner. This entity is somewhat active in the area, they have a couple of other projects. They would be owning and managing this particular project.

As Linn indicated and as you've seen from the Layout this is a project that really is taking advantage of available land. The market has a high demand for an affordable resource. We think that from an economic standpoint that the project will be very well supported and that there is no question but the affordable housing need in the area. We're recommending approval of the transaction, be glad to answer any questions.

CHAIRMAN WALLACE: I sense Mr. Czuker has a question.

MR. CZUKER: I have a legal question I wanted to ask, and that is that I've done business with the contractor involved with this project and wanted to know if that's a conflict, that I should excuse myself.

CHAIRMAN WALLACE: Okay, that's a good question. Sandy?

MS. CASEY-HEROLD: Yes, you probably should.

CHAIRMAN WALLACE: Or Casey?

MS. CASEY-HEROLD: Sandy.

CHAIRMAN WALLACE: Sandy.

MS. CASEY-HEROLD: Right.

MR. CZUKER: Should I leave the room?

CHAIRMAN WALLACE: No, you can sit there and enjoy it if you'd like.

MS. PARKER: Mr. Czuker, I would just suggest, based on that, that you just for the record, abstain.

MR. CZUKER: Thank you.

CHAIRMAN WALLACE: Any further questions of the Board? Yes, Richard.

MR. FRIEDMAN: It's just a question about the borrower's profile. Edison Capital, we've seen them many times as a limited partner. We haven't seen them, really seen them as a general partner, as the general partner before- Is this unusual or is it a new role for them or is it something particular about this project?

MR. WARREN: They, at the inception, put this under the development arm which they were developing. I'm not sure where that's at now in their organization- But this is something that they wanted to essentially be a turnkey developer and then back out of the project as general partner and permanent loan funding. I don't know how many other projects they've done like this, Rich, but this is a role that they played in this particular one.

MR. FRIEDMAN: Okay.

CHAIRMAN WALLACE: Anyone here from Edison Capital or the development team that would like to comment?

MR. HASSEL: Yes, thank you.

CHAIRMAN WALLACE: If you could come forward we'd appreciate your introducing yourself- And maybe borrowing , Linn's or Dick's --

MR. HASSEL: Certainly.

CHAIRMAN WALLACE: Sitting between Linn and Dick. Hazardous, and using one of their microphones so that we can record your every comment.

MR. HASSEL: Sure, thank you. I'm going to put these photo renditions here which will throw some more light on the ultimate look of the project. Thank you. I am Olav Hassel, I am a Special Projects Manager with the City of Thousand Oaks. A couple of months ago I was the housing manager.

We have been working with your staff on this project for about four years now. It's been a project of many challenges, as most new construction projects are in Ventura County for one reason or another. I want to thank the staff, Mr. Warren and Mr. Liska and the Board for working with us. As I say, there have been challenges. We've worked through every one of them one at a time and we've solved them and we're finally here.

This is a classic nonprofit, public sector/private sector affordable project. We have a tremendous amount of equity contribution from Edison and the City and the carry back from the landowner. It's a five-way deal essentially and there is a -- we do have the five-way agreements signed and we're ready to go with grading permits and building permits.

As your staff report says there is a huge demand and need for the project and we're anxious to get it on the ground. Another thing is that -- Another positive is that we're working quite aggressively with our housing authority at this time to get project-based Section 8 certificates.

We're confident we can get because the housing authority is just not able to place Section 8 people in market units anymore because of the very high rents. So we can't guarantee their availability but if we get them, and I think we will, this will enhance the affordability of the project.

So if you have any other questions I'll be pleased to try to answer them.

CHAIRMAN WALLACE: Any questions?

MR. HASSEL: Thank you very much.

CHAIRMAN WALLACE: Good looking prospectives. Thank you very much.

MR. HASSEL: Thank you.

CHAIRMAN WALLACE: Anyone else from the Board or the audience? Hearing none the Chair will entertain a motion.

MR. HOBBS: So moved, Mr. Chairman.

CHAIRMAN WALLACE: A motion by Mr. Hobbs.

MR. FRIEDMAN: I'll second it.

CHAIRMAN WALLACE: Seconded by Mr. Friedman. Any discussion on the motion? Hearing none, Secretary, call the roll.

MS. OJIMA: Ms. Klein?

MS. KLEIN: Aye.

MS. OJIMA: Ms. Campbell?

(No response).

MS. OJIMA: Mr. Czuker?
MR. CZUKER: Abstain.
MS. OJIMA: Thank you. Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Hobbs?
MR. HOBBS: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Mr. Friedman?
MR. FRIEDMAN: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: Resolution 99-14 been approved.
CHAIRMAN WALLACE: I'm going to say that the motion, we had a quorum for that.
MS. OJIMA: Yes.
CHAIRMAN WALLACE: So the motion is carried. But I'm going to ask the Secretary to make sure that when Ms. Campbell comes back that we record her vote one way or another on any of these motions. We understand she's going to be in and out of the meeting all morning so you can do that, JoJo.
MS. OJIMA: Okay.
CHAIRMAN WALLACE: Or we'll flag her down when she comes back. But Resolution 99-14 has been approved.

Moving on, Dick, to Citrus Tree.

RESOLUTIONS 99.15 AND 99.16

MR. SCHERMERHORN: Yes, Mr. Chairman. With your indulgence what I'd like to do is take these next two projects together in presentation formbecause they are both conduit financing in the same transaction. It is the second project that has triggered this so I kind of want to cover that. What I'm going to do is give you the background on why they're here then we want to walk you through the visuals on both of the projects. Then we have a graphic explanation as to how this financing works that's applicable to both of them but you will take your actions separately on each of the projects. That's how we'd like to go at it.

What happened was --

CHAIRMAN WALLACE: Let's see if we agree with that, Dick.

MR. SCHERMERHORN: Oh, I'm sorry.

CHAIRMAN WALLACE: Anybody? There's a lot of similarity. The names and the numbers change but it's the same format. I think that's acceptable and expedient, okay?

MR. SCHERMERHORN: All right. The reason these two came to us, actually, is because of North Hills. The sponsors of the project, which have both of them, had approached North Hills on acquiring this project and proceeding but the locality was not in agreement with the sponsor about the level of affordability in the project in its original proposal and was not inclined to proceed with a tax-exempt financing as a result of that. So they came to us a conduit financer for the transaction,

We went back and looked at what was taking place historically with the locality and talked to the locality about it and understood what their concern was and actually agreed with their position on the original proposal, which was substantively less affordability than what we're proposing in this transaction. We explained this to the sponsor and said we would proceed with this providing they met the affordability requirements that we were looking for in here. So they informed us at that time not only did they have this one but they had this other project in Ventura.that they'd like to do as a package so we said all right, we'll look at both of those in that term.

What we do on a conduit financing: Primarily for the benefit of you Board Members who have not been through one of these with us in the past.

CHAIRMAN WALLACE: No, for the benefit of all of us, Dick.

MR. SCHERMERHORN: Okay, for the benefit of all of you. Linn will go through the actual structure of this but the concept here is, basically, on a conduit financing although the Agency is issuing the bonds and our name is on the bonds and we are basically providing a tax-exempt source of funding for these projects for the first mortgage we do not do the underwriting or the technical review on the projects in exchange for full guarantee of no financial recourse to the Agency. That we are held harmless from the real estate, that we have a financial guarantee that is in effect 100 percent.

What we do do, however, is we do a due diligence review that in fact an underwriting has been done and that the underwriting in our judgement is satisfactory. Two, that certain health and safety issues are in fact addressed in the proposal such as a seismic review being done on the project and that the affordability in the project is acceptable to the Agency meeting its program objectives.

And what we have done in the affordability area on that is applicable to both of them but in essence we have our 20 percent of 50 percent and then we have 29 percent of the projects at 60 percent, or 10 percent below market rent. And that is specifically addressing one of the concerns that the North Hills project had dialogue around. The reason we only take it to 49 percent is we don't want to trigger an Article 34 issue.

So that's basically how it's structured. Now, that's the fundamental on why we're proposing the conduit financing and I'll come back to the individual projects in terms of the loan amounts, etcetera. Let's take a look at the projects themselves so you know what we're talking about here.

(Video presentation of project begins.)

MR. WARREN: The first project we were looking at is Citrus Tree Apartments in Ventura. Citrus Tree is approximately 20 years old; it is stucco, wood frame with tile roofs. This is the corner lot of the view of it. There are a number of interior courtyards like this. Part of the rehabilitation plan for the developers, KDF, is landscaping redevelopment for the property itself. The pool area is actually in fairly good shape although they do intend to renovate this particular area again with additional landscaping. The roofs themselves, you can get a better view of them here, will also be replaced.

One of the major components of the interior renovation are the units. As you can see here it's already commenced. You probably can't see it *very* well here but these cabinets are buckling and need to be replaced, they don't close properly. These will be replaced. Appliances will be replaced as necessary, some cannibalized, but more or less more of them will be taken out and removed. New counter tops and any exposed drainage or piping underneath the sinks will also be replaced.

This is the typical neighborhood next to Citrus

Tree. It is stable, middle-class, a quiet neighborhood. I'll show this picture. This is a sister project which is across the street from Citrus. After the renovation is done the Citrus project will compare favorably to the area. The market in Ventura has been coming back, there was a down period of time. There is a fair amount of multifamily housing in the Ventura area but we have found that this particular project contains a fair amount of military. Families also migrate here and as you can see it's located in a rather quiet, residential neighborhood.

Let me go ahead and continue on and we'll do the second project. Sorry about that, JoJo.

CHAIRMAN WALLACE: Should we wait for Cranham to come back?

MR. WARREN: Let's not tell him.

MS. PARKER: JoJo is going to get it.

MR. SCHERMERHORN: We hadn't finished with the presentation, thank you.

MR. WARREN: I'd been waiting all day to do that to Bill. .Okay. This is North Hills which is in Fullerton. This is the interior courtyard. Just stay right there. These roofs will be dealt with as well. This tiled mansard structure traditionally is a maintenance headache and this will be dealt with. The landscaping for North Hills is actually in pretty good shape although the developer has indicated there will be a landscaping plan put in there. The pool area, similar renovation as to Citrus. Fairly good size but there will be some renovation work done here as well as landscaping.

This is a Montessori school which is located in the middle of the project. This is not there for the benefit of the tenants, it is a stand-alone commercial enterprise. Some tenants' children do attend school here but generally most of the students are from outside of the project. The project is located on Bast Imperial Highway. This is the site across the street and this is typical of what's in that particular neighborhood, small retail and small commercial. There are larger shopping centers down the street from the site. This is the neighborhood directly behind North Hills, and again, it's very similar to the neighborhood that was at Citrus, quiet, middle range residential.

What we'd like to show you now is how this bond structure works. And the reason we're doing this is because this is somewhat different than a standard Fannie Mae stand-alone MBS deal. So the players are basically the same as in most bond transactions. On this side, the tax-exempt side, we have CHFA, the underwriter, the bond investor, and over here we have Fannie Mae, *ARCS* Mortgage, the servicer, and the borrower.

(Thereupon, Ms. Donna Campbell

re-entered the meeting room.)

So as the process begins the bonds are issued from CHFA, we have received allocation for both of these projects, and a bond purchase agreement is executed between us and the underwriter. From this point in time the bonds are then delivered on to our investor who in turn delivers the proceeds back to the underwriter and then proceeds are delivered on to the trustee.

I want to stop here and explain that this side of the transaction is basically tax-exempt. The project requires additional taxable financing which is being raised through *ARCS*. The proceeds will then be delivered onto *ARCS* Mortgage who will serve as servicer who will then combine the proceeds with the taxable funds that are required to fully fund the project from a financial standpoint and the proceeds are then delivered to KDF. I reference KDF only because that's the development entity and there will be a tax credit partnership with KDF as the general partner.

The flip side of this is how the principal and interest runs in conjunction with the mortgage-backed securities. And this starts down where we ended up with the debt service coming up, P&I, from the sponsor, the borrower, to *ARCS* Mortgage who will act a8 servicer. They were also the DUS originator on this transaction. P&I then runs to Fannie Mae, less the servicing fee taken by *ARCS*. Fannie Mae in turn runs the money back through the bond trustee and at this juncture Fannie Mae takes their guarantee fee, which is their compensation for the MBS. The bond trustee then runs the P&I onto the investor,

Now for us to be essentially risk-free in this process we elected to enter into a purchase agreement between Fannie Mae and CHFA and the purpose of this is to guarantee the timely payment of the P&I ultimately to the investor. So an MBS Agreement will be created, an MBS mortgage-backed security will be delivered from Fannie Mae to the bond trustee, ostensibly for the purposes that should this P&I fail or not be delivered in a timely fashion then the MBS steps in and guarantees the payment of the debt service to the investors.

So in that structure we need to finalize this time but in our discussions with Fannie Mae and their counsel back in Washington they are comfortable with this concept even though all of the bond investors will be in our pool deal. So we do need to finalize this but so far all the parties are in agreement that this is something that should work.

(Video presentation of project ends.)

MR. SCHERMERHORN: So we've taken -- The programmatic reason for being involved in it is we've got two projects that we're converting from market rate to affordable and we're doing it in a financial structure in which the

Agency will be financially held harmless by the mortgage-backed security structure. Therefore, as I indicated, we did a due diligence review and we're satisfied that a credible underwriting job has been done on both of these projects.

The first project, Citrus Tree, is a final commitment request for a $3,800,000 CHFA-originated tax-exempt loan and the second project, North Hills Apartments, is a final commitment request for a conduit loan in the amount of $11 million. Both of them are 30-year amortized loans. With that we're recommending approval and we'll be glad to try and answer any questions.

CHAIRMAN WALLACE: let's focus on, now -- Since we're going to have separate motions let's focus on Citrus Tree first. *Any* questions on that proposal from the Board?

MS. KLEIN: I have one question.

CHAIRMAN WALLACE: Phyllis.

MS. KLEIN: In terms of the marketability of the project. It's not in the write-up as to whether a review was done about the differences between the market rents and the 60 percent rents that are created by this project. Is this truly affordable or below market? Or is that part of your review as the conduit in the project?

MR. SCHERMERHORN: Yes. We were particularly -- We looked at that. Again, first off, since we don't structure this is our normal underwriting what we did do, though, is we went behind and looked at it because that was a core issue with North Hills about the particular project.

MS. KLEIN: With Fullerton.

MR. SCHERMERHORN: With Fullerton.

MS. KLEIN: Okay.

MR. SCHERMERHORN: Right. And what it appears is that the income limitations that we're putting in place will, in fact, be affordable in the marketplace. However, to be on the safe side that's why we adopted the ten percent below market rate as the lower of. And we will check. When the project gets ready to go on-stream we've retained the right to confirm that the rents that they have put in place will in fact be minimally ten percent below existing market rent. That is one aspect of the transaction we reserve the right on. We know the 50 percent ones are, it's the 60 percent ones that were kind of in question.

MS. KLEIN: How do you enforce that as the conduit?

MR. SCHERMERHORN: Well, we'll have a regulatory agreement on it and it's like any regulatory agreement enforcement.

MS. KLEIN: Okay.

CHAIRMAN WALLACE: Further questions? Richard.

MR. FRIEDMAN: I had a couple. One, I noticed both projects will be applying for an allocation of loan from tax credits so I was wondering whether you proceed with your financing in anticipation of the tax credit allocation or you wait until the tax credit allocation is actually in place?

MR. SCHERMERHORN: We don't loan close until all the requisite funds are on the table.

MR. FRIEDMAN: Well, I'm probably just showing my ignorance in this but I presume a complicated transaction like this takes some time, Do you initiate the transaction ahead of the tax credits or wait until the tax credits are in place?

MR. SCHERMERHORN: I won't fund until there is evidence -- I would not allow this to proceed unless and until the requisite funds are in place. Which means if tax credits are required then we have to have tax credit approval.

MR. FRIEDMAN: So the bonds aren't issued until then?

MR. SCHERMERHORN: Correct.

MR. FRIEDMAN: okay.

MR. SCHERMERHORN: Well, I suppose there's rare instances that we may have them in a pool and we go ahead and issue the bonds anyway but we don't release the funds unless and until the rest of the deal is put together.

MR. FRIEDMAN: The second question was perhaps more of an observation. I notice both projects had an average turnover of 60 percent a year. One of them you said was a lot of military folks so that makes some sense but it seemed unusually high. Is it relevant in any way to this?

MR. WARREN: I think that's a function of the prior management on North Hills, which is where the higher turnover was. The sponsors have had the ability to put their management staff in place prior to taking over the property; that has slowed down considerably. But there will be some turnover and I think that's typical of projects to a degree in this part of Orange County. That's an important component because as the turnover occurs much of the renovation will occur. So it has stabilized and the oscillations have tamped down but there will be some over a period of time.

CHAIRMAN WALLACE: Mr. Czuker.

MR. CZUKER: Just for clarification on the structure, again going back to the conduit financing structure. How is that different from a local issuer being the issuer? Is CHFA just being a facilitator here? Because effectively Fannie Mae is the one that's underwriting and is putting up the AAA guarantee through the federal government.

MR. SCHERMERHORN: Yes, we're facilitating the tax-exempt financing for the project.

MR. HOBBS: It's no different than I would do on a local level.

MR. CZUKER: Thank you.

MS. PARKER: Mr. Chairman, I would just make mention. It's unfortunate that Mr. Klein is not here with us today but this is a structure that Mr. Klein at previous Board meetings has talked a lot about seeing an interest in CHFA being able to be used as a facilitator for these types of deals. In that sense again we feel fortunate in being able to develop this business, But also more importantly, bringing the affordability along with it that may not be happening with other local issuers from the standpoint of the extra terms of affordability and years of affordability that CHFA would require.

MR. CZUKER: Does this still require the local issuer consent? Is something going back to the local, meaning the municipality, for their consent?

MR. SCHERMERHORN: No, we do not have a requirement that they have consent. What we have is an operating practice that we -- The primary reason they come to us is because the locality is unwilling for whatever reason to do the transaction. What we do is we confirm independently what the issue has been, is with the locality, We may or may not agree with that, In most instances that have come up we ve agreed with the locality but, like this one, we've been able to find a satisfactory alternative to go ahead and structure it and proceed with it. Now the locality hasn't come right out and expressed full agreement with it but they're not opposed to it now.

MR. CZUKER: Thank you.
CHAIRMAN WALLACE: Angelo, you had a question.
MR. MOZILO: Yes. I'm personally friendly, a long-time friendship, with the Chairman and CEO of *ARCS* Mortgage Company. To *my* knowledge we don't do any business with them and have not done any business with them but I do have a personal relationship, Should I recuse myself?
MS. CASEY-HEROLD: My belief is since you don't have a business relationship with them it shouldn't make any difference.
MS. HAWKINS: I have the same situation so I guess -- I fall under that same problem.
CHAIRMAN WALLACE: *Any* more volunteers? It basically, *Sandy*, requires a business or an ability to benefit from? Now maybe he's going to give a cocktail party. But isn't that the crux of the potential for conflict?
MS. CASEY-HEROLD: Right. Right.
CHAIRMAN WALLACE: And the same for Carrie?
MS. CASEY-HEROLD: If they benefit economically.
MS. HAWKINS: We'll disclose the cocktail when the time comes.
CHAIRMAN WALLACE: Let's see, the cocktail has to be under $10 a day or something like that.
MS. KLEIN: In terms of CHFA's role as a conduit issuer, I would just like to comment on a couple issues that

I would like to see that CHFA does add the additional components of more deeper affordability and overlaying CHFA's review of projects in terms of rehabilitation budgets to make sure that these projects have long-term viability as to the extent of the rehab and there's real affordability created. I think it's an important area where M F A will add a great amount to projects like these that aren't being approved by the locals as issuers.

MR. SCHERMERHORN: I would like to note, Mr. Chairman, I erred in the mortgage amount for the first project, Citrus Tree. The requested amount is $3,450,000. I'm working off of a wrong piece of paper. I had said $3,800,000. The mortgage amount is $3,450,000.

CHAIRMAN WALLACE: So it's correct in the write-up.

MR. SCHERMERHORN: It's correct in the write-up that you have, yes.

MS. PARKER: Is the resolution correct, more Importantly? Page 922.

MR. SCHERMERHORN: No, the resolution is not correct.

MS. PARKER: That's what I was afraid of. The correct amount should be three million --

CHAIRMAN WALLACE: Four-fifty.

MR. WARREN: Pour-hundred and fifty thousand.

CHAIRMAN WALLACE: That's different too? Is North

Hills different also?

MS. PARKER: And North Hills, the resolution is $11 million, not --

MR. SCHERMERHORN: No, it should be $9,850,000.

MS. PARKER: That's on page 946.

MS. CASEY-HEROLD: What was that number again?

CHAIRMAN WALLACE: That's right, these were the result of the CDLAC actions. These were reduced amounts to participate and share the pain of the allocation.

MS. PARKER: $9,846,000 for the resolution on page 946?

MR. WARREN: Wait.

MR. SCHERMERHORN: Yes, *wait* is right.

MR. WARREN: $9,850,000 for the resolution on North Hills.

MR. SCHERMERHORN: Right. And $3,450,000 on Citrus Tree.

CHAIRMAN WALLACE: Going once. Okay, any further questions from the Board or anyone in the audience? Developers, representatives? Ed.

MR. CZUKER: Curiosity question. Is it possible that if we didn't catch this and the Board approved a resolution for more money, the fact that the borrower is borrowing less do they need to came back to the Board?

MR. SCHERMERHORN: No.

MR. CZUKER: I mean, effectively, the Board would have authorized more than what was required by the project.

MR. SCHERMERHORN: It's up to that amount.

MR. CZUKER: So wouldn't we still be okay had we not caught it? That's really what I -- Just a clarification, I'm curious.

MS. KLEIN: One more question. You don't have to have authorization for the taxable component of this, only the tax-exempt?

MR. WARREN: Right.

CHAIRMAN WALLACE: Any further questions, corrections, additions?

MR. HOBBS: Mr. Chairman, I'd like to make a motion with a comment from a local standpoint. I'd like to underscore Ms. Klein's comments about CHFA particularly working with local communities. I don't want to get a lot of letters from city managers throughout California saying that MFA is taking over. I have become abundantly comfortable where CHFA has come in on a local level and assisted some cities but don't particularly have the political inclination to *move* forward with (indiscernible) so I'd like to move on this project.

CHAIRMAN WALLACE: Ken, are you limiting that to --

MR. HOBBS: On the initial resolution.

CHAIRMAN WALLACE: -- 99-15?

MR. HOBBS: Yes, sir.
MR. MOZILO: Second.
CHAIRMAN WALLACE: A motion by Hobbs, second by Mozilo on 99-15. Any discussion on the motion? Hearing none, Secretary call the roll.
MS. WIMA: Ms. Klein?
MS. KLEIN: Aye.
MS. OJIMA: Ms. Campbell?
MS. CAMPBELL: Aye.
MS. OJIMA: Mr. Czuker?
MR. CZUKER: Aye.
MS. WIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Hobbs?
MR. HOBBS: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. WIMA: Mr. Friedman?
MR. FRIEDMAN: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: Resolution 99-15 has been approved.
CHAIRMAN WALLACE: Resolution 99-15 is approved. Okay, the chair will entertain a motion unless there is further discussion on 99-16, the North Hills Apartments in

Fullerton.

MR. CZUKER: So moved.

CHAIRMAN WALLACE: Mr. Czuker.

MS. HAWKINS: I second.

CHAIRMAN WALLACE: Ms. Hawkins. Any discussion on the motion? Hearing none, Secretary call the roll.

MS. OJIMA: Ms. Klein?

MS. KLEIN: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Bobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. WIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-16 been approved.

CHAIRMAN WALLACE: And we have also approved 99-16. Moving on to Villa San Ramon, Dick.

RESOLUTION 99-17

MR. SCHERMERHORN: Yes, Mr. Chairman. This is a project with some history. What I would like to do is bring everybody up to speed, just a quick background on the evolution of the project. Then I would like to, particularly for those Board Members who have not seen the project, we have some visuals so that you have a physical orientation of what we're talking about. And then we have a very thorough review of the existing financial structure and the impacts on CHFA and what it is that we're proposing here today.

In the late eighties this Board was approached about financing a project in San Ramon that would have been a congregate housing facility and at the time the original proposal was for a project in excess of 120 units. It was the first time that the Agency had confronted a project of such size and of such unique characteristic and it took some time, almost two years if I read the record right, for the project to fully go through various discussions and reach a point of approval by the Board.

The project went under construction in the early nineties, at the same time that the California economy started to go under. The sponsor immediately recognized in the early nineties while the project was under construction that there was going to be a rent-up problem with this project and its concept and came to the Agency and flagged us before construction was completed and before we had gone to the permanent loan. We looked at it, agreed with the sponsor, discussed alternatives.

The sponsor and the Agency staff agreed that it would be appropriate and wise to shift the emphasis from a congregate facility to utilizing a mixed approach with assisted living as a portion of the project and a kind of congregate facility combined in two. Although because there was a physical way—when you see the project you'll understand—there is a physical way to logically handle assisted on one wing and for the rest of the project to operate as more like an independent living congregate facility.

We included that project proposal in a package of our portfolio projects that we had reviewed and decided because of economic conditions these dozen or so projects were in financial stress and that we did not want them to go underwater. And the Agency Board made a determination that we would go ahead and do some financial restructuring on a by-project basis to keep them operating in a solvent fashion. With the exception of one project in that consideration all the rest of them have satisfactorily operated under the restructured scenario that we put in place back in '93, '94.

This was one of them. Villa San Ramon was restructured with a step-rate mortgage. There was additional financial contributions from the limited partnership at the time and the project finished construction, went into operation and rented up ahead of expectations. It has been fully operational since and has fully met the restructured financial obligations to the Agency.

As you recall, I mentioned at the outset, at the time that the first proposal came it was in excess of 120 units. One of the concerns of the Agency was it was too large a project for them to consider so the project was scaled back to 120 units and there was left a plot of land to the north of the project and adjacent to the existing project site that was going to be the second wing.

When you see the project you'll see you have a main building and two wings that would have gone on it—just one wing is on it right now—and the second wing is basically what we're proposing to go ahead and finance and put in place here today. The second wing sits on a plot of land that really is not practically developable in any other fashion because that particular plot of ground was acquired with this particular design and concept in mind.

So the Agency scaled it back to 120 units, only using about three-quarters of the land. At the time we Bid the restructuring we took as additional security the second land. Not so much for the land value as we did to make sure that if something else did happen to the land it would not negatively impact the asset that we have on the adjoining property, given that we had a restructuring arrangement in place. So one of the reasons that the proposal is with us to finish off the project is we do maintain a right on that particular piece of property as to what happens to it under any disposition. So that's entwined in this.

At this point let's show you what the project looks Like and then let's get into what this proposal is all about and how Phase I and Phase II relate.

(Video presentation of project begins.)

MR. WARREN: This is the entryway, the main building for Villa San Ramon. This is located within a residential neighborhood which I'll show you in just a moment. There is guest parking out in front. As you can see architecturally it is a nice structure. The existing project is located right in this area right here. As you can see it's bounded by single-family --

MR. HODGE: You don't mind moving your ann, do you, Linn? (Laughter).

MR. WARREN: No, that's okay, Karney. Can you see now, Karney?

MR. HODGE: Yes.

MR. WARRBN: Okay, good. You want to do this?

MR. HODGE: No.

MR. WARREN: This is also residential, condominium townhomes, Alhambra Lakes. Across this canal here is a mini-storage area and this is for sale housing, a shopping center, a park. To the north here is Phase II. And as Dick indicated it's a little Over an acre in size and it really lends itself solely as an extension of this first project. This is a more closeup view of the site right here. Again, here is Phase I of Villa San Ramon that stretches down into this area, here's your mini-storage, and the residential neighborhood that borders the property. This is a view of the site from the second or third story of Phase I. Again, it's a little over an acre. And this is panning left a little bit. This is the drainage canal that borders the property.

As Dick indicated there is a market rate component to this project. This is the dining room. One of the characteristics of Villa San Ramon is it does compete very well in the overall assisted living and independent living market. Management Over the years has been very *good* and the staff there and the amenities have been very well maintained, which has allowed it to keep it's position approximately almost 100 percent filled.

This is a typical bathroom and I wanted to show this just to show some of the features that are usual in these types of projects. This is a roll-in-type tub with a very small lip for those that are in wheelchairs and then you have your typical grab-bars and full-purpose shower systems.

The project has a van which is fully accessible for the disabled and is used for assisting the residents to and from various activities and other destinations. This is the shopping center that you saw from the aerials, this is a few years old, and it's approximately a quarter mile away.

The inside, this is the entrance and reception area. Off to the side is a small library. This is also a place for parties and social gathering. It's a very nice -- It has very good entry appeal. Which we have found in looking at any kind of assisted living or elder care facilities, first impressions are very important. The management has taken great pains to maintain this area. Here is the rear of the project that faces onto the drainage canal. One of the interior courtyards. Again, well maintained, nice architectural appointments and such.

What I'd like to do now is take you through a chronology—as Dick alluded to a little bit at the outset—as to how the project has been developed and who are the partnership's players, because there are several. In 1984 Sunny Glen Villa was formed in which Daniel Shellooe and Durwin Shepson were the general partners. They formed this and purchased the site, both the Phase I and Phase II sites you have seen, with 14 limited partners. Through various wranglings and machinations with the locality the Phase I was approved in 1990.

At that point in time a second partnership was formed which is the Villa San Ramon or VSR. They purchased the site from Sunny Glen, again Shepson and Shellooe were the general partners, with 13 different limited partnership investors. At the same time VSR executed a contract for sale with Sunny Glen for the Phase II parcel. To raise additional capital the Villa San Ramon Participating Trust or VSRP was syndicated as essentially an equity investor to begin with for $1.6 million and there are approximately 30 participants in this trust. In 1992 Villa San Ramon opened.

In 1994 as Dick indicated there were some issues regarding the market with the property so a number of events occurred with respect to the financial structures of both the debt and the equity. The first that occurred is Villa San Ramon obtained a new limited partner who had an infusion of approximately $500,000. That new limited partner then essentially took a priority position over some of the cash, the existing limiteds let that go and took a position that would be funded later on with a sale or refinancing of the property. VSRP, which originally held an equity position, basically exchanged that for a position of debt and wrote off any accrued interest that they had in their investment at that point in time.

CHFA's role is we introduced a step-rate loan starting out at approximately three, three-and-a-half percent for the purposes of letting the project stabilize then it would increase up to a higher interest rate. Along with this was a recapture note. Clearly there is money required to subsidize the interest rate and there is a recapture of lost income because of the lower interest rate for several years. So this was all put in place in 1994.

This graph will give you an idea of how all of these partners basically came into play and how the project cash is distributed between the various players. The first cut of the project cash is the debt to CHFA and as you can see here it sits up on annual debt service at this stepped rate and then levels out over this period of time. The second is the Agency supplied a HAT loan to help with additional project costs. This amortizes and pays off in approximately 2008.

The third level is VSRP. As I said earlier they exchanged this for debt and this is the scheduled debt, essentially interest, which is paid off in approximately 2006. This is the redevelopment agency debt. One of the components of the cash flows for Villa San Ramon, both I and II, is operating subsidy monies from the redevelopment agency for the city of San Ramon. They are repaid -- This spike right here is basically a balloon payment in approximately

2002.

At this juncture we're now into residual cash. The gray area represents monies that are distributed to the partnership from an excess cash standpoint. Up until this point in time there is a priority of approximately $200,000 that is given to the partnership. Any monies over and above that on a residual basis is split between CHFA and the partnership; two-thirds for the partnership, one-third for CHFA. In approximately 2008 this $200,000 take-off for the partnership ceases and the distribution of cash for the remaining term, until such time as the subsidy note is paid off or the recapture note is paid off, is two-thirds/one-third. This is important because in Phase II we've changed this relationship significantly.

I'll show two more components here. Again the CHFA residual it's referring to is a component of that. This blue area is a standard replacement reserve. This is actually an above-the-line item and not a residual cash item but I showed it here for presentation purposes, and this continues for the entire life of the project. On top of this is a sinking fund. As I indicated the redevelopment agency is supplying cash. At the time the restructure was done it was felt that additional monies would be necessary to backstop the absence of the redevelopment monies when those do stop in approximately 2010. So every year, every month, money is being put aside in this sinking fund as essentially an additional operating reserve.

(Tape 1 was changed to tape 2.)

What I'd like to show you now is what is being proposed for Phase II. A much more simple structure. We have level debt of approximately $300,000 a year going forward. The second piece of the debt is to Sunny Glen Partnership. Now, their contribution to Phase II is two-fold. Under the contract of sale they'll be taking back half of the money owed in scheduled debt for approximately 15 years, deferred for the first couple of years to allow for the stabilization of Phase If. Their equity that is owed is basically being contributed as one of the sources for the development of Phase 11.

The RDA is being repaid. They have a small contribution for Phase 11. Their debt is also deferred for a number of years and it is paid out. At approximately 2010 their debt is retired.

The next component is the amount of residual cash that is available from the project. This is one of the reasons that we feel that Phase II is important. This green area represents 90 percent of the residual cash being generated by Phase II. On top of that is 10 percent of the residual cash which goes to the Villa San Ramon partners. As you can see the majority of the cash money in these two areas goes to CHFA with the intention of retiring our recapture note in an accelerated fashion. And let me show you how that plays out in various scenarios,

There are basically three scenarios that we're faced with as far as retiring the debt for the recapture note. The first is if we don't, if Phase II is not built. Under this structure, with the subsidy note accruing and the stepped interest rate, the balance builds up to this point in time. And then as the Phase I project improves its cash structure and the higher interest rate begins to take effect you can see that the subsidy balance basically pays itself down until 2026.

If Phase II is built and the cash from Phase II is then applied to the subsidy note we have this structure. This is both combined money, the structures of the cash sharing from both phases. Essentially what we do is we pick up about nine years, ten years, by introducing this additional cash into this area.

The third scenario, something that we just show for illustration purposes is if we find that the sinking fund and the operating reserves which we carry—not the replacement reserves but those two operating reserves—are applied to this scenario right here then we further reduce the time it takes to pay off the Agency, However, we feel the reserves need to be kept. If at such time as we find the reserves are not necessary then the agreement is that those are applied immediately for the reduction of the cash balances and any outstanding debt for Phase I.

(Video presentation of project ends.)

MR. SCHERMERHORN: Okay. What we're requesting today is a final commitment of $4,400,000 permanent loan for Phase II of this project. That would be 40 more units to the existing 120 units in the project, which would bring the project to its originally conceived setup as you saw in the layout. It would be a 35 year fixed, fully amortized. We have locality involvement and we have an interrelated situation that has undergone quite a bit of dialogue.

Those Board Members who have been participating in that ongoing dialogue may well ask the question, why are we still pursuing this particular thing. From a staff standpoint we think that this is the right thing to do, both for the locality and for CHFA.

As you can see from this summary presentation right now we know the project is economically viable under its present restructure agreement in Phase I. It is working very well in the market, there is every indication it will continue to improve with its success, it is a very highly needed resource in that area, and the red line shows that we are headed towards full repayment of our investment under that restructuring agreement by 2026.

From an economic standpoint the addition of Phase II to that project gets us paid back in 2015. We are adding a significantly positive economic advantage to the situation that we currently have, And as Linn pointed out, I don't think we would exercise the green line. I think that given the character of this project that we would want to leave the sinking fund in place because it's been built up from reserves and at some point in time downstream a decision might be made to instead of applying it back to us is use it to increase the affordability in the project.

From a program standpoint for us we're talking about addingmore. Yes, it is an 80/20 project. Twenty percent of the units are affordable under our requirements, the rest are market rate. But we're talking about an assisted, independent living project in one of the high cost areas of the state. Getting 20 percent of affordability for this kind of a facility is very, very difficult to do. I can tell you that I have worked on at least a dozen assisted living project proposals that have come to the Agency since I've been here and none of them have been able to financially equal the kind of affordability that this project has put in place.

It has locality support. San Ramon city has committed itself to assisting with the affordability component. They put a 15 year financial support in on Phase

I, they're willing to do the same on Phase II. And they're continually -- They keep expressing continual commitment to this particular project. It's the only affordable resource of its kind in the area.

So we come to the bottom line conclusion with this after looking at the numbers, the program objective, and we know that we can't go back and restructure Phase I. As you saw from the earlier charts on this you've got a very large number of limited partners, many of whom are residents in that particular area, who agreed with the concept of the original partnership and put financial support into it. There's a very complex partnership structure that is in place which we understand. It has stuck through the project through this at a point in time it has put resources in place, additional resources in place to help it.

There are agreements with that that can't be undone so we have not tried to go back and change what we had done for Phase I but we look at it in the context of what we have today. If we finish the project, add this cash flow into it, we increase affordable resources in the marketplace, we shorten the time in which we get our investment paid back and we end up with a very viable project in a very desirable market. And for that we are recommending that this Phase II be approved by the Board and we'll be glad to answer any questions you have.

MS. PARKER: Mr. Chairman, just one other thing I wanted to point out. Dick, this is the third time in my short history that this has been before the Board and each time we have come back. This time the proposal is more optimum than the last time that this issue was raised which was -- had gone back and addressed issues that had been raised the first time. So this isn't -- What you're seeing today just isn't what was brought to the Board --

MR. SCHERMERHORN: A year ago.

MS. PARKER: A year ago. I just wanted to point that out. Staff have gone back with Durwin and worked this to what we believe now is the most optimum arrangement.

CHAIRMAN WALLACE: Okay, any questions from the Board? Ed.

MR. CZUKER: First I want to again commend staff for working this to death. I know this has come around years and years after years—I personally have seen it three times myself-and each time it does seem to get better and better for CHFA. So I think at this point the only thing I can say is that you guys have done a great job of restructuring what was a difficult situation to make it better for the organization and at the same time preserve the housing and work with the sponsorship.

The only question I would ask is, in the 90/10 split where CHFA is receiving 90 percent of the residual cash receipts do you feel that the 10 percent is enough incentive to keep the borrower's feet to the fire, that they have an economic incentive to the success of the project?

MR. SCHERMERHORN: More than satisfied. We've asked that question a number of times and -- We have a somewhat unique situation. This partnership is incredibly dedicated to this project. Just look at the history of what's taken place. They took the initiative at the outset to raise the problem with us and came up with the suggestion about going the assisted living route. They have stuck with this project all the way through to this particular point. No question in my mind that that is -- When they said, yes, that that was workable, that's what they meant.

MR. CZUKER: Thank YOU.

CHAIRMAN WALLACE: Yes, Phyllis.

MS. KLEIN: I have several questions. Having not been on the Board before I need some more clarification so bear with me. You mentioned that the Phase I is performing. At what level is it performing? And if it is performing, then how does that recapture note go to $4 million on your scenario there? I'm a bit confused.

MR. SCHERMERHORN: It's performing on the restructure agreement which is the step rate proposal. One of the things we initially looked at was could we go back and reopen the restructure agreement on Phase I and essentially bring it up to this particular interest rate. Well, it could achieve a higher level of debt service support on Phase I right now but not to the original interest rate which was like seven-and-three-quarters.

MS. KLEIN: So what's the pay rate now, Dick?

MR. SCHERMERHORN: It's --

MR. WARREN: It's about four-and-a-half percent.

MR. SCHERMERHORN: About four-and-a-half percent.

MR. WARREN: Four, four-and-a-half percent.

MR. SCHERMERHORN: Which is why -- Which is why we have this support in place on it. And we can't go in and undo all of that structure in place because there are linked agreements that the partnerships all got into when we did the step rate restructuring on it. So we do have outstanding a step rate scenario that takes it up. And that step rate stays in place until such time as the project red line pays us back the support that's been going in place on the project to date. One of the reasons why it would be advantageous to move to the blue line i s the project pay rate would then revert to its original pay rate and not keep escalating up beyond that.

MS. KLEIN: So in essence this recapture note is a reflection of lost interest that you're at this point accruing, that they're not paying, plus penalties, etcetera, that then reach the $4 million-plus level if you do not build that Phase 11.

MR. SCHERMERHORN: Correct.

MS. KLEIN: Okay. The rate that's quoted for this Phase II loan. How do you get to your 6.05 rate? Is there going to be --

MR. SCHERMERHORN: It's a 35 year rate.

MS. KLEIN: Okay. And is there going to be a combination of leverage with tax-exempt bonds or is this a rate the Agency can just offer? I just don't know how this rate is derived.

MR. SMERMERHORN: We have a -- Our tax-exempt program has three rates which we adjust depending upon what the market conditions are. Currently our 30 year rate is 5.9, our 35 year rate is 6.05 and our 40 year rate is --

MR. WARREN: 6.20.

MR. SCHERMERHORN: -- 6.20.

MS. KLEIN: So will you require a future allocation of tax-exempt bonds to finance this project and to subsidize this rate?

MR. WARREN: Not necessarily. We could ask for tax-exempt financing but we don't necessarily have to seek tax-exempt financing far this from allocation because there are no tax credits. So we may not have to. That hasn't been decided yet.

MS. KLEIN: So the Agency's own internal resources and the way you leverage internally can get to this rate level?

MS. PARKER: It's an issue --

MR. SCHERMERHORN: The rate is not the issue here.

MS. KLEIN: Um-hmm.

MR. SCHERMERHORN: As much as it's a question of if we're issuing a tax-exempt bond do we need private activity bond allocation for it.

MS. KLEIN: Okay. Okay.

MS. PARKER: It's a financing question, I think, Phyllis, that Ken will need to evaluate and in that sense, you know, make a determination. And if we have the ability because of the tax credit situation we may try to just not have to come and essentially get private activity. But we haven't evaluated, we haven't gotten that far yet.

MS. KLEIN: One other question. Where else could this project seek financing? Is CHFA the only resource available? Can they go conventionallY?

MR. SCHERMERHORN: Theoretically it's possible that they could *Bo* other forms of financing but the problem is Phase II, as you saw from the physical layout, is the second wing. And since same of the support facilities for the assisted living are contained in the main building you get into a potentially difficult situation with a different lender and a different structure trying to operate Phase II where there is an operational link to Phase I.

We don't think it's practical, we wouldn't want to see that happen. We think it is for the benefit of the project, and for us as the existing Phase I lender, it just makes the most sense that we're involved in both of them. So that the project can be operated, in effect, as a single project with a single lender.

MR. WARREN: Both phases will be cross-collateralized, cross-defaulted.

MS. KLEIN: Has anything changed in the marketplace in terms of your belief about the success of Phase II? What were the real reasons behind the failure of Phase I that we wouldn't see in Phase II?

MR. SCHERMERHORN: Phase I, remember, was going on-stream in the early nineties.

MS. KLEIN: Okay.

MR. SCHERMERHORN: And the market was soft. The original concept was strictly a congregate. The debt structure that had been approved in the late eighties was practically not going to be supportable if the project had tried to go on-stream under its original concept. Hence the adjustment, hence the restructuring.

When it bid go on-stream it rented right up because by that point we're getting into '92, '93, '94 and the market was beginning to turn and it has been, since then, accelerating. And in the Diablo Valley you have, if you're at all familiar with that you've got a high cost of living at work there. So having that project in at that point in time and having saved it at that point in time we were able to stabilize the 20 percent of affordability.

Now that the debt structure is in place and it is fully operational and it is throwing off residual cash to us every year against this we don't see that condition repeating itself. Again, particularly in the time frame that we're looking at. When I was talking about the economics, that blue line is important to me. If we can get that time frame moved up to 2015 we really mitigate down the -- If there were a significant adverse turn, we really mitigate our exposure in terms of the subsidy in Phase I. But we don't -- The market is too strong in the area right now.

MR. WARREN: Plus the establishment of -- As in most senior projects, particularly this, the establishment of a Phase I or existing project for seniors. It has the reputation in the marketplace as a desirable place to live. That is the entre into Phase II. As the seniors age in place for Phase I and transition into the assisted living that does give them somewhat of an advantage in the marketplace versus tkose who are starting out brand new today.

MR. SCHERMERHORN: And as you know the demographics, that's what's occurring in areas like that.

You've got aging in place going on.

CHAIRMAN WALLACE: Phyllis, this is in *my* back yard and I've been out there a couple of times. It's one of the cleanest, nicest facilities. My parents both just passed on and I couldn't get them out of the old household. But if I'd gone and been able to do so -- It's an upper middle class area. This project is in a class by themselves in my opinion, both as to the assisted living and to the other. It is a first class project.

It's a shame that -- The irony of all of this is it hit the market in the depression. And I suffered through it, all developers did in that time frame. Today you go out there, they've got a waiting list. I think it's currently 33 people. When I was out there a year ago -- You know, the only down time they get is when somebody, when a unit is vacated. It takes 30 days to turn it around. The market is super strong. I don't see it changing. We need more of this. Frankly, from the Walnut Creek corridor south there isn't much. There's nothing to compare with this really. It's a first class project,

So then you have to look at the economics and how does CHFA benefit. And we looked. This is the third time for me too. The third time is the charm, though. You looked at the economic side of it and -- The restructuring of Phase I is a reality, it had to happen. The developer came to us early on and said, I don't like the way this is heading, and we restructured. That's a fact of life.

At one of these earlier presentations there was some attempt to undo that with a new Phase II composite structure and that didn't fly. But to me, from a security standpoint, the blue line versus the red line has all kinds of pluses. And then we have the protection of the green line. So from an economic standpoint as well as a market standpoint the addition of these 40 units --

And by the way, this second phase is really tucked. If you look closely at the aerial you'd see that the way this works, that's tucked in an almost untenable position to do anything else with and so alternate financing sources I think are none to slim. Therefore, it's in our interest and it's certainly -- *And* we're dealing with very honorable people who have been very up front with us. I see nothing but a win-win here for all concerned.

And again, staff, as Ed said, I think you with all due credit to the tenacity and the integrity of the developers and the difficulties they've had with multiple investor partners, this is a real credit to our joint ability to work our way Out of a difficult situation that wasn't of the developer's making, it was a depression in California when they hit the market. So this has no place to go but up. I particularly commend you for your ability to explain it in the charts and so on, Dick. I strongly recommend that we put this one to bed, get on with life and we've done a service. That' s *my* view.

MR. HOBBS: Mr. Chairman, I also -- I was one that had severe questions along with Ed. I was sitting next to him and we were passing notes back on forth, we've got a problem here. I too have taken the time to go out and tour the project. I spent a considerable amount of time reading and rereading the staff reports—actually, both staff reports that we received in the last 12 months—and I'm abundantly comfortable that we've got something that works here.

My primary and principal concern is that if we do not proceed further at this point what we effectively are creating is a dysfunctional project that requires that the developer go out and somehow undo what we have done with another private lender. And that concerns me. Essentially we have a body of a project that is three-quarters of the way Bone and I am strongly supportive of us continuing forward and finishing it.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I think I was probably in the minority but I felt it made sense and actually enhanced our position the last time around. Not the first time but the last time, and not everyone was ready for it. *And* I think we have to remember that the other people involved in this were very patient and (lid not -- they were patient in getting their return and hung in there and kept that development in such good condition and hung in there.

So I'm glad to see that we're doing it because we don't have to have that common area portion. And I think Phyllis's questions were very good, it doesn't make sense any other way because of the common area being in the first development. So I think this time around you're making it a lot easier for everyone to hopefully approve it.

CHAIRMAN WALLACE: Any other comments from the Board?

MR. MOZILO: I would like to move the motion to be approved as presented by the staff.

MR. HOBBS: Second.

MS. LYNCH: I have some questions.

CHAIRMAN WALLACE: Loretta.

MS. LYNCH: I was confused by some of the comments. Are you saying on the red line that the project is not stabilized without additional funding?

MR. SCHERMERHORN: No, no.

MS. LYNCH: Or that it's just fine with additional funding?

MR. SCHERMERHORN: Oh, no, I'm sorry, Phase I is fine. It's operating ahead of its projections on the workout that we have a contract with them on and the red line represents what we had projected it for to occur. And there is a possibility at the rate that it's going that the red line by itself will shorten up a couple of years. Phase I is just fine. The blue line is the combination of Phase I and Phase II.

MS. LYNCH: So your proposal is not that something needs to be done to stabilize Phase I.

MR. SCHERMERHORN: Phase I.

MS. LYNCH: It's a question of --

MR. SMERMERHORN: We have a new Phase II. There's that empty plot of ground. We want to build out the rest of the project.

MS. LYNCH: Right. But if nothing is done then there's still no problem, it's just a question of repayment time?

MR. SMERMERHORN: Correct.

MS. LYNCH: And so you're going to spend $4.4 million to get eight more units of affordable housing and a shortened repayment time?

MR. SCHERMERHORN: Correct.

MS. LYNCH: But that's really -- It's the shortened repayment time versus $4.4 million into eight units of affordable housing, right?

MR. SCHERMERHORN: Yes.

MR. MOZILO: If I understand this we have a good situation that could be made better by approving this project.

MR. SCHERMERHORN: That is correct.

MS. KLEIN: Just clarification. The number of affordable units in Phase I is what?

MR. SCHERMERHORN: Twenty-four.

MR. WARREN: Twenty-four.

MS. KLEIN: So in combination with this we'll have 32 affordable units overall with a total project of how many market rate units?

MR. SCHERMERHORN: Well, let's see. You get 160 units total.

MS. KLEIN: So about 130 market units.

MR. SCHERMERHORN: The total of market rates, 158. No.

MR. SHEPSON: The total is 158.

MS. HAWKINS: No, 160 is the total.

MR. SMERMERHORN: Oh, the total number of units is 158, minus the --

MS. HAWKINS: The 32.

MR. SCHERMERHORN: The 32.

MS. PARKER: Dick, does that count the units that are provided the subsidy by the locality?

MR. SCHERMERHORN: Yes, the subsidy from the locality is supporting the affordable units. Because what you have to understand in these projects, folks, is you're not dealing with just the rent. In assisted independent living projects let's say the rent is $500. You've got another $1,500 to $2,000 the tenants have to pay for the assisted living support or independent living support in the project. And the locality's funding --

Our tax-exempt financing is impacting the rent, it does not impact the operating costs there. And what the locality is doing is coming in and effectively subsidizing those affordable tenants and helping with the costs of the operating living costs in the project, which makes it -- which makes it unique. There are *very* few communities that are positioned to do this.

CHAIRMAN WALLACE: Two meetings ago the mayor of San Ramon came to us and almost pled with us to make this happen. They were so proud of this contribution to their community. So there's strong locality support.

MR. CZUKER: Call the motion.

CHAIRMAN WALLACE: Any other questions?

MS. HAWKINS: Did you second?

MR. HOBBS: Yes.

CHAIRMAN WALLACE: Let's see, I've got Mozilo and Hobbs, I believe.

MS. WIMA: That's correct. Any other questions?

MR. SHEPSON: Did *you* want me to say anything?

CHAIRMAN WALLACE: Tell us, Durwin, who you are.

MR. SHEPSON: I'm Durwin Shepson, I'm the general partner of this, And I just wanted to first of all, while I have the opportunity, thank the staff so much for their years of work on this to get it to the point where it is. They've done a marvelous job and I think the benefits will be good for both parties provided we're able to go forward with this.

And also I wanted to let you know that the city's contribution to this is very substantial. From what I hear from the staff at MFA the City of San Ramon is providing the highest funding in the state toward this. They're providing about a quarter million dollars a year on our Phase I and they're matching it in terms of the per unit subsidy on Phase 11, we're able to do it. And we don't want to pass that up. Obviously if we don't get it they'll give it to somebody else and we'll have forever lost the opportunity. So I think that's important.

They really are behind this project, it's a great project. We were just awarded the nomenclature of *Best in the* Valley by the local newspaper, It was a vote of all the people that take ft, about 40,000 people. It just shows the kind of project it is; the residents are very happy there.

And in terms of the number of units you were associating, I think, the number of people that might be in there. It's not just the units that provide the low income.

It isn't one for one. In some of them there are two people and then there's turnover because of the age of the people. So even though we've only bad 24 units for these seven years now that we've been open we've had well in excess of twice that many people that have gotten the benefit of this and we'd like to carry that forward into the next phase. Thank you very much.

CHAIRMAN WALLACE: Thank you, Durwin. Okay, questions have been called for. Any discussion on the motion? Hearing none, Secretary, call the roll.

MS. OJIMA: Ms. Klein?

MS. KLEIN: No.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-17 has been approved.

CHAIRMAN WALLACE: We have approved Resolution 99-17. So that's the projects. Let's move into a -- Donna, I'd like you to before you leave check with JoJo on the earlier motions where you were out of the room. There were, I think, two of them.

MS. CAMPBELL: Yes.

1999 2000 BUSINESS PLAN DISCUSSION

CHAIRMAN WALLACE: With that, Terri, is this you? Do you want to do the preliminary?

MS. PARKER: Actually, no, I'm going to have Dick walk you through this. As I mentioned at the beginning of my remarks we will be bringing, as we have done every year for the last six years' to the May Board a business plan for your adoption. A five year business plan which is essentially our operating instructions for the Agency for the next year and our five year projection moving forward. And so given that we wanted to use this meeting to essentially have some discussion with you. We've been trying to give you updates throughout the year on where we have been on production relative to the business plan that you adopted last May.

But we have put together sort of an outline to get some feedback from you all so that we can essentially bring to you in May the structure of a business plan that we think essentially reflects your policy direction to the Agency. So Dick is going to walk you through a discussion on the single-family/multifamily programs and John has got a one-pager on the insurance side.

MR. SCHERMERHORN: As Terri pointed out we have our annual updating of the five year business plan to formally present at the next Board Meeting. In preparation for that we have looked at what the game plan was for this year and I'll talk first about single-family and then multifamily.

In the case of single-family we had established an objective of $900 million of single-family loan purchases. We're going to exceed that. It looks like we're going to come in around $950 million as the total loan purchases for this fiscal year. As you all are aware this has been a very strong real estate year, particularly for resale housing, and the demand for our product clearly exceeds our resource capability because we've had to use our income limits as a very significant modifier to slow down the demand so that we could maintain our other objective of keeping our window open 365 days a year.

We're currently operating with income limits at 40 percent of median for resale product anywhere in the state, and 70 percent of median income for new construction product anywhere in the state' and we're still receiving between two-and-a-half and five million dollars a week in reservation requests for our funding.

For the next five-year business plan and for the next immediate year we -- As you may be aware the governor has challenged the Agency to achieve a $1 billion production level. Now in order to do that it takes a certain base mount of resource for us to support our level of activity. Last year we received approximately $230 million of private activity bond to support single-family.

(Thereupon, Mr. Ken Hobbs exited the meeting room.)

We had a unique set of circumstances last year where we were able to leverage that as we had same recycling, a high level of recycling capability and we had some very favorable market conditions. We were able to leverage that private activity bond base into the production that we're going to be doing for this past fiscal year.

As Terri noted to you early on, the CDLAC decision at this point has been an allocation target for single-family total of about $430 million, $215 for the state, $215 for the locals. $215 million on the face of it is not going to produce a $1 billion single-family loan purchase program.

However, at this juncture we're going to try as best we can to see if we can respond to that and we're going to, our plan is to present to you the $1 billion game plan. It will have some assumptions in it. It will be assuming the ability to significantly leverage; it will also assume the possibility of some additional private activity bond support in there; and we're looking at a couple of other potential options around what kind of mortgage products that we may want to utilize in conjunction with this.

That we can get into. We'll want to continue to support self-help housing. As you know we have a Self-Help Housing Program. We'll be proposing to maintain that at the same level of activity. But essentially the challenge is going to be on the one hand, the $1 billion bogey that the Governor would like the Agency to achieve and we recognize the practical limitations of private activity bond resources.

Any questions about that single-family side?

MS. KLEIN: I would just like to reflect a couple of issues. I would like to see in the business plan how CHFA intends to meet the CDLAC requirements that were imposed on the additional allocation that was received; that there is a strong focus on increasing the number of loans that are made to low-income people. Which I know CHFA has come a tremendous way and we're really pleased in seeing that. And that there is a focus on providing loans in neighborhoods where you can really increase the home ownership rate; and looking at the neighborhoods where CHFA is making loans in terms of low-income census tracts, neighborhoods in need. We would like to see that.

MS. PARKER: For the benefit of the Board Members, Phyllis. I think what Phyllis is referring to is that the CDLAC Committee, when they adopted our allocation targets on the single-family side requested the single-family issuers, both the locals and CHFA, to have a target of lending 57 percent of their proceeds to families with income levels -- first time home buyers with income levels of 80 percent and below median income in those communities. In 1998 CHFA's record was 52 percent so that's almost a 10 percent increase in our lending. We don't know what that will mean, if that will be increased for the locals.

One of the things that we need to be discussing with the Treasurer's Office is how that requirement will be calculated on Agency. I actually plan to have some conversations with Phyllis because of the leveraging aspects for CHFA because of the substantial leveraging that we're doing. We need to have a discussion about whether doing more leveraging in that sense make that percentage even more difficult for us to achieve. I think what we need to do is find out where the committee is on how the percentages will be applied to the state and local to the extent that there is a level playing field with that additional requirement.

So we're going to be following up. Frankly, it's one of the things we need, from the staff standpoint, to get a handle on before we can come back in the May meeting and give you some recommendations on percentages for us to achieve. So it is something that we want to be working with the Treasurer's Office to get some -- We want to know ahead of time how we're going to be evaluated. We don't want to at the last minute find out and then in that sense have spent a whole year's production going down on a false assumption.

MS. KLEIN: And I owe Ken some additional information.

CHAIRMAN WALLACE: How about some additional money?

MS. KLEIN: It would be great and make *my* job easier.

MR. SCHERMERHORN: Any other questions on single-family? Okay, multifamily.

Last year we presented the multifamily issue and set up a target of about $100 million of tax-exempt financing €or both new construction and acquisition rehab and introduced the Taxable Loan Program which was targeted specifically for preservation expiring use projects. We're going to come in pretty close on the $100 million on tax-exempt financing and we're going to go zero on taxable.

There are two problems we discovered on the street this past year: One, our taxable product is non-competitive with the conventional marketplace, As those who have been here know, the Agency's objective is to provide essentially, in multifamily, an alternative financing vehicle. That means a long-term fixed rate vehicle. We don't normally go in and compete with the marketplace, our objective is to fill in what the marketplace is not providing. So the taxable product that we fashioned was consistent with that, a 25/30 year long-term fixed financing vehicle to extend the useful life of these projects.

However, owners of these projects have a very clear decision and an option. They can go conventional as their contracts are expiring and they can take advantage of available conventional financing which includes basically Fannie Mae's 30 year priced at 10 rate reset product, which is anywhere from 50 to 75 basis points better than the 30 year vehicle we were talking about. And hence, one, the financial conclusion of an Owner would be to go for the cheaper financing; and two, if they take the conventional financing they have no government strings. They don't have to take on the affordability requirements.

The other little enlightenment that we came onto over the past few months is we had a couple of meetings both in north and southern California with existing Section 8 property owners to talk to them about bow much they understood about what was going on in the whole preservation arena, what the state was trying to do, what they needed to be done -- from their standpoint should be done to entice them to stay on with their product as affordable housing product.

We got a number of expected answers back about financing vehicles, what we didn't expect to get back is the level of frustration that exists with for-profit property owners about their relationship with HUD. There is a very negative attitude that exists on the street. And it is so strong that it has brought into question their relationship with any government entity in continuing with affordable housing. From our standpoint I see this as a very real problem, as real as creating financing vehicles for it.

Now many of them are in holding patterns. They are renewing their Section 8 contracts to see if there will be progress made on this front. Because a number of the owners would like to continue with their product as an affordable housing product. But they really are beginning to run out their string of relationship with HUD.

It was so strong I had one property Owner who has property that is Mark-To-Market eligible, which means that he's getting a Section 8 contract in excess of streets rents. That he is so opposed to the situation going on right now he's willing to sell his projects and take a financial loss to get out of his relationship with government. It is a very difficult attitude problem that we're going to have to deal with. That coupled with the fact we had a non-competitive product we went nowhere with the taxable program.

What we will be proposing to do for sure is we're going to refocus on the preservation side to see if we can't build on the template—like the project you approved today—and put more strength into the 501(c)(3) bond financing, tax-exempt bond financing. It does not require private activity bond allocation, does produce a tax-exempt rate, can only be done with qualified nonprofits, no tax credits can be involved in that kind of a transaction, to see if we can't get more acquisition of these properties by nonprofits. It is not going to deal with the bulk of the market. It is a niche product, it can be successful for a limited number of the transactions.

We're also looking at can we restructure the taxable component in some fashion that would be consistent with our objectives and acceptable in the marketplace. That could be a tough one to work through. We also hope to work with HCD on hopefully some kind of intervention strategy at this point, working with the project owners on those expiring use contracts that are not Mark-To-Market eligible to see if we can't tie our available financing to some stimulative activities that they may be embarking on in the near future.

The Mark-To-Market program as you may recall, for those who were here, is a separate approach that we have. That's HUD's answer to the expiring use problem. It will only address those projects where the Section 8 contract is greater than street rents. This represents less than 25 percent of HUD's portfolio in California and dwindling every day.

But we do have our Mark-To-Market in place. We just hired the program manager that will be running the Mark-To-Market Program, his name is Mike Kulick. Until just recently he was the housing director for the Los Angeles area office of HUD. Very qualified, very knowledgeable on this subject. We will go into a contract with HUD to do the Mark-To-Market program. It will be firewalled from our regular multifamily activity. We'll identify that for you in our business plan discussion at the next session.

We will be requesting continuation of the HELP Program. As Terri mentioned earlier we're up and running with that now. I can speak for myself. I am pleasantly surprised because I was a tad skeptical about the first round of responses on this. I was pleasantly surprised to see how quickly some innovative, workable proposals came forth from the localities because we didn't give them a lot of time by the time we got done having some discussions with them. I think this is going to be a very successful endeavor on our part. We're learning as we go along with it. We made some minor adjustments and we'll have that on the table for a proposal at the next session.

Any questions or input that you'd like to make on multifamily? This is a tough issue.

CHAIRMAN WALLACE: Any brilliance? Carrie.

MS. HAWKINS: You know, I just want to add to that HUD component because I think we always hear that Congress is allocating funds but in fact Congress allocated -- since 1996 the allocation went up from $3 billion to $9 billion. So it isn't the funds, it's these owners are so frustrated with all the rest of the -- with HUD that they're opting out.

(Thereupon, Mr. Angelo Mozilo exited the meeting room.)

I don't know if this is correct but California has, I think, 140,000 HUD-assisted units. I mean, think of the opportunity that we have. But if the average income is $9500 a year and they spend only 30 percent that would only allow for $237.50 a month, I think. So think of the gap in that project that we just did. I mean, that's where we're going to have to be. So I would just say, we've got a challenge. There's a lot of projects that are going to come due. I think we've lost 9,000 units over the last two years. Is that correct?

MR. SCHERMERHORN: The last one year,

MS. HAWKINS: One year?

MR. SCHERMERHORN: One year and it's Over 10,000 units now,

MS. HAWKINS: Now. So you can see our challenge.

CHAIRMAN WALLACE: Phyllis.

MS. KLEIN: I have a couple of reflections; one, just clarification. What time frame does your business plan cover?

MR. SCHERMERHORN: It's five years.

CHAIRMAN WALLACE: We're looking out five years.

MS. KLEIN: But when you say that you're going to achieve your multifamily goal?

MR. SCHERMERHORN: Let's say the tax-exempt multifamily had $100 million.

MS. KLEIN: Right. Yes.

MR. SCHERMERHORN: That's $100 million a year for each of the five years.

MS. KLEIN: Calendar years?

MR. SCHERMERHORN: Fiscal years.

MS. PARKER: It runs with the state fiscal year.

MS. KLEIN: Okay, with your state fiscal year, okay. A couple things on preservation. I agree with you, I think it's a very difficult issue, very difficult to achieve results in this area. The projects are very complicated and there's not a lot of soft resources there to solve it. My suggestion, and maybe you've already done this, is to look at CHFA's results in terms of what your requirements are in terms of level of rehab. We may be --

CHFA may be out of the marketplace because of those requirements, acknowledging that that's an important factor in the overall quality of projects. But in some instances we may need to be looking at what's more important, preservation of units or having a beautiful, high-quality project. And we may have to balance that objective in order to achieve more preservation.

Another issue would be that I suggest you meet with Rick DeVine, DeVine and Gong, who is looking at preservation issues and I think -- and I'm meeting with him this week as well to talk about gaps that need to be fulfilled in the market and also the California Housing Partnership, which I'm sure you're doing already, as to how CHFA can better meet this challenge.

On the multifamily side, again, to increase the multifamily that CHFA's producing. Look at what holes are not being met out there in the marketplace. I think the overall permanent lending market is going to change over the future with all the thrift and bank mergers out there, that CHFA can really fulfill an unmet need in the market. And that you look at areas of need. Neighborhoods that aren't being served and that we target those kind of communities.

MR. SCHERMERHORN: How do you think the marketplace is going to change?

MS. KLEIN: I think that there may be movement among permanent lenders to back away from this marketplace in terms of permanent loans. With consolidations of lenders that maybe their exposure is great enough. I think that that could change.

MR. SCHERMERHORN: Seen any signs of it yet?

MS. KLEIN: A little bit, hearing rumblings.

CHAIRMAN WALLACE: Any other discussion? Any other input, Board, or from the audience. Okay. John, you've got a great report here. Boy, that's easy to follow. All on one page, bing, bang, bong.

MR. SCHIENLE: Thank you.

CHAIRMAN WALLACE: That's terrific.

MR. SCHIENLE: Our proposal for next year is to in effect, continuously run off of what we've done in the past. As we have in the past our focus is on central cities, high cost areas, high loan to value, low income. As such we divide our market into two parts, one is with CHFA insuring CHFA's conventional loans and within that subset do predominately 95 percent loans or greater with a lot being 97 percent loans and of the 97 percent loans a lot are with a 3 percent CHFA silent second. So in effect we're doing 100 percent financing, most of which is done in LA.

Our other conduit investors are Fannie Mae and Freddie Mac. With Fannie Mae we -- As you recall, five years ago we were the first insurer in the country to do 97 percent loans with Fannie Mae. We have since enhanced that loan program this past year to add a 3 percent silent seconds with funds that we borrow from Allstate Insurance Company to provide the silent second.

And in conjunction with Countrywide have made the first sale to State Farm of securitized Fannie Mae loans collateralized by CRA-type loans in central cities. We expect to do more of that in this coming year. With Freddie Mac a year ago we introduced the first conventional 100 percent program and that program since then has been ramping up as more lenders become familiar with it and are more accustomed to doing it. So we will project more volume from that program in the coming year,

The main difference between last year and most recently is that we're doing more on the street. we have done several programs with major localities. We have a Freddie Mac 100 percent loan program with firefighters and policemen in LA who agree to move back into the city. We have a program with Sacramento, a variety of employer groups, including teachers, to live in the city with our programs, financed by our programs. We have a special program with San Francisco to help them with their below market rate program which they couldn't find financing without the particular kinds of things that we were willing to write into our mortgage insurance certificate,

(Thereupon, Ms. Donna Campbell

entered the meeting room.)

So in conclusion, *for* next year we intend to do the same kinds of things that we've Bone in this past year, the same loan program, but with more involvement specializing in localities more as the opportunities arise in the state.

MS. PARKER: Just to add to John's comments. We did include in some of the handouts a write-up that was in the Sacramento Bee on the program that John has in partnership with the City of Sacramento. Actually it's a very nice write-up and it's a good discussion of the creativity of the program. And we were very fortunate to have the Treasurer come out. Phil Angelides was at the event to kick this off and I think it shows a very positive opportunity where we're essentially not really kicking in any Agency resources that the Board has not already committed but we are really having an opportunity to leverage by bringing in through Allstate and some of these other securities, Freddie, Fannie, to Bo a substantial increased amount of business.

CHAIRMAN WALLACE: Good, John. Any questions for John or any input? Thank you very much.

MS. PARKER: Again, we will be summarizing this and sending it out to you. If there is any additional thoughts that you may have. We'll put some time lines on the feedback lor the Agency and then we'll essentially bring that into our discussion when we come back to our May meeting.

OTHER BOARD MATTERS

CHAIRMAN WALLACE: Okay, Item 6, other Board matters. Do any members of the Board have anything that they want to enlighten us with that we haven't already agendized? I notice former director Karney Hodge in the audience. Nice to have *you* back, Karney, I know how you love us.

MR. HODGE: Thank you.

CHAIRMAN WALLACE: Anyone else? Okay.

PUBLIC TESTIMONY

Any members of the public on any non-agendized items? Are *you* scratching your head, Dick?

MR. LaVERGNE: Yes I am but I have no items.

CHAIRMAN WALLACE: You're not quite a member of the public in a sense either. All right. Thank you. Okay, we'll meet again here at the Burbank Hilton on May 26th; this meeting is adjourned. Thank *you* very much, particularly to you first-time Board Members.

(Thereupon the meeting was adjourned at 12:05 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 two (2) tapes in number and this covers a total of pages 1 through 107, and which recording was duly recorded at Burbank, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 7th day of April, 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 26th day of April, 1999, at Sacramento County, California.

Ra Cot

Ramona Cota, Official Transcriber

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Executive Summary

Date: 7-May-99

Project Profile:

Project :	Maplewood Apts.	*Borrower:*	Community Housing
Location:	12715 Mapleview St.	*GP:*	TBD
City:	Lakeside	*LP:*	TBD
County:	San Diego	*Program:*	Tax Exempt
Type:	Family	*CHFA # :*	99-012-S

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$3,050,000	$38,608
CDBG/HOME	$1,056,000	$13,367
AHP	$385,000	$4,873
Other Loans	$0	$0
Borrower Contribution	$0	$0
Deferred Developer Equity	$30,265	$383
Tax Credits	$1,196,853	$15,150
CHFA Bridge	$0	$0
CHFA HAT	$0	$0

Loan to Value

Loan to Cost
53.3%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
Manager	685	2	N/A	$400	$0
2 BR	685	28	50% CHFA	$535	$23,625
3 BR	950	16	50% CHFA	$615	$26,250
2 BR	685	19	60% TCAC	$560	$28,350
3 BR	950	10	60% TCAC	$740	$31,500
2 BR	685	2	35% TCAC	$366	$15,750
3 BR	950	2	35% TCAC	$421	$17,010
		79			

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Maplewood Apts.

CHFA Ln. # 99-012-S

SUMMARY:

This is a Final Commitment request for a first mortgage totaling **$3,050,000 amortized** over thirty **years.** The project is Maplewood Apartments, a 79-unit acquisition/rehabilitation project located at 12715 Mapleview Street in the Community of Lakeside in San Diego County.

LOAN TERMS:

1st Mortgage Amount:	**$3,050,000**
Interest Rate:	5.90%
Term:	30 years fixed, fully amortized
Financing:	Tax Exempt

LOCALITY INVOLVEMENT:

The project is in a portion of Lakeside that qualifies as a Neighborhood Revitalization Area ("NRA"). CDBG funds are earmarked for NRAs where they are needed most. The communities selected best met the NRA selection criteria which are: primary benefit to lower income households; occurrence of blighted neighborhoods; adequacy of public facilities and services; condition of housing; lower income employment opportunities; health, welfare and safety needs; social indicators; compatibility with the County General Plan; community interest; and cost/benefit potential of providing assistance in the area.

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
CDBG/HOME	$1,056,000	residual receipts, simple interest	30	3.00%
AHP	$385,000	grant	-	3.00%

MARKET

A. Market Overview

San Diego County ("the County") experienced steady growth throughout the 1980's with a brief slowing between 1990 and 1994. Growth rates increased in 1996 and 1997 by 1.8% and 2.4% respectively. Accelerated growth at this same rate is expected to continue. Lakeside has also experienced recent growth. In 1990, Lakeside's population was 49,654; this increased in 1997 to 53,191, an annual rate of approximately 1% per month.

Lakeside has experienced a gradual population growth at an annual rate of approximately 1%. This growth rate is expected to increase to 2.2% annually through the year 2015. This accelerated, but steady population growth is due in part to the availability of developable land in Lakeside, which has become increasingly scarce in the San Diego area.

Income rates have mirrored the steady growth in San Diego during the early 1990's. Average real income gains have been between 1.5% in 1995 to 2.5% in 1996. In 1997, the median household income for Lakeside was $41,582, which is 0.1% above the County's 1997 median income of $41,445. Lakeside has a slightly higher percentage of households in the mid-range income brackets and falls slightly below the County percentages in the very high and low-income brackets. The median price for a home in Lakeside is $207,000. Roughly 55.8% of existing households in Lakeside can afford to buy a home at this price.

Over the past 17 years, the County has diversified its economic base from a heavy dependence on government employment associated with the region's military installations and defense manufacturing, to a more service and trade oriented economy. Over the last year, the California Employment Development Department determined that service industry jobs accounted for about 40% of the gain (17,500 jobs) out of 41,800 in the area. Construction and government sectors increased 2nd and 3rd with 6,100 jobs and 5,000 jobs respectively.

According to the January 1999 California Employment Development Department, the unemployment rate in Lakeside is 3.4%, slightly less than the County's 3.5% unemployment rate. Lakeside's local employment base is smaller than its labor force indicating *that* the community is primarily a bedroom community, rather than an employment center. There is no military employment in Lakeside. Most of Lakeside's employment is concentrated in small businesses with 10 employees or less.

B. Market Demand

Current demand for apartment projects is high. The San Diego County Apartment Association reported a 1.7% vacancy rate for the 4th quarter of 1998 and Market Profiles reports a vacancy rate of *0.5%* in projects with 25 or more units. Most apartment projects under construction are luxury units. Rents first increased at the luxury rental level and *are* now occurring at other apartment complexes.

Percentage of Family Households by Income Category

Location	0-50% AMI	51-80% AMI	81%+ AMI
San Dieao Countv	41.637	40.987	168,931

According to the County of San Diego Consortium Consolidated Plan For Fiscal Years 1995-1999 ("the Plan"), there are 251,555 total households in the County. *Of* those households, 33% (82,660) are low income and represent 53% of the total renter households. Of these 82,660 households, the largest single housing issue is overpayment of income for housing.

19,904 households pay more than 30% of their income for housing and 14,125 of low income households pay over *50%* of their income for housing. The Plan identifies housing needs in particular for small households and large households as a top priority and estimated that the money needed to address these two areas (in 1995 dollars) exceeded $163,000,000 for an estimated 5,000 units of affordable housing.

C. Housing Supply

Multi-family building activity was nonexistent during most of the 1990's. The economic expansion during 1995 through 1998 and the increased migration over the past two years have resulted in increased demand for multifamily units. Developers appear to be reluctant to build multifamily housing due in part to proliferation of construction defect litigation cases by Homeowner's Associations in Southern California.

Seventy-five percent of all apartment developments have been built since 1980. The majority of the rental units in Lakeside are two-bedroom units. The average vacancy rate is 1.14%, the lowest rate in the last decade. Very few of the projects offer any rental incentives; the exception is a one time $200-$300 reduction on the first month's rent on a one year lease offered at several market rate projects. Most apartment projects have had two rent increases during the past twelve to eighteen months. In spite of the demand there have been few multi-family land sales and there is little new development anticipated.

Lakeside is part of the unincorporated area in San Diego County. The existing Section 8 waiting list is 7,687 households. Looking at it from another perspective, the unincorporated area of the County needs 1,189 two-bedroom units and 1,024 three-bedroom units.

PROJECT FEASIBILITY

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Mkt. Rate Avg.	Difference	Percent
Two bedroom				
35%	$366		$249	60%
50%	$535	$615	$80	07%
60%	$560		$55	91%
Three Bedroom				
35%	$421		$394	52%
50%	$615	$815	$200	75%
60%	$740		$75	91%

B. Scope of Rehabilitation

A Physical Needs Assessment was ordered through Project Resources, Inc. and was received on April 22, 1999. The scope of the habilitation work necessary for this project was determined to be minimal. The estimated cost of requiring immediate repairs is $34,445. Items requiring immediate correction are termite/dry rot damage; site drainage and deteriorated asphalt in the south driveway.

The borrower has submitted their own scope of work. The borrower's proposal includes the following interior work new flooring, drywall repair, replacement of front doors, finish carpentry, repair/replace windows, replace kitchen countertops, sinks and faucets, replacing all appliances and bathroom accessories, and painting all units. Proposed exterior work includes patching and resealing asphalt, concrete sidewalk repairs, wood railing repairs, new stucco, new roofing, install play area, replace laundry room flooring and repainting. One of the two-bedroom units, which overlooks the pool, will be converted into a recreation room. This unit has not been included in the income calculations.

'DES RIP

A site Design:

The project is zoned RU-29, Multi-Family Residential, which allows a residential apartment with a maximum density of 29 units per net acre. The site is located at 12715 Mapleview Street in Lakeside, California on the comer of Mapleview Street and Ashwood Street on a level and rectangular shaped parcel. The project was built in 1985 and includes 10 two-story apartment buildings, one centrally located laundry room and office and a pool. The unit mix consists of 52 two-bedroodone bath units (686 square feet), and 28 three-bedroodtwo bath units sized (950 square feet). There are a total of 137 on-site parking spaces.

B. Type of Construction:

The buildings are of wood frame and stucco construction. All units have walk-up access and each apartment building contains eight units, each with its own balcony. Exterior walls are painted stucco with wood trim. Roofs are composition shingles.

C. Project Location:

The project is in the community of Lakeside in San Diego County. Lakeside is located in the eastern portion of the County, east of Santee and northeast of El Cajon. The San Vincente Freeway (67) runs north/south through Lakeside and Interstate 8 runs east/west.

OCCUPANCY RESTRICTIONS:

CDBG/ HOME:	5% of the units (4) will be restricted to 35% or less of median income.
CHFA:	20% of the units (16) will be restricted to 50% or less of median income.
TCAC:	100% of the units (79) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

CHFA received a Phase I - Environmental Assessment Report prepared by CT&E Environmental Services Inc. and dated February 19, 1999. The report concludes that there is no evidence to suggest any significant environmental conditions at the subject property.

ARTICLE 34:

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

IENT TEAM:

A. Borrower's profile

The sponsor is Community Housing of North County, a nonprofit public benefit corporation ("CHNC"). CHNC has developed and managed affordable housing projects since 1988. Three affordable projects with a total of 120 units (not including the subject site) are currently under construction or rehabilitation. Eleven affordable projects with 455 units are owned by CHNC and they use four different property management companies to manage their projects. Included in the unit mix are units for transitional housing designed to make homeless families self-sufficient; AIDS/HIV housing and a 16 unit cooperative to be managed by the cooperative members in 1999.

In addition to affordable housing, CHNC provides training and resident leadership development for cooperative complexes and neighborhood revitalization groups; supportive services to AIDS patients and they are a liaison for service organizations within the community assisting families in transition.

B. Contractor

The project will have minimal rehabilitation. CHNC's has a property management company, Cuatro Properties, Inc. to oversea the rehabilitation work. The budget was obtained from a contractor who has performed work for CHNC, but because of the scope of the work CHNC and the contractor agreed a general contractor would not be needed.

C. Architect

There is no new construction and the rehabilitation is not extensive, therefore, an architect has not been hired.

D. Management Agent

Cuatro Properties, Inc. is a division of Cuatro Corporation, which was formed in 1992. It is a full-service property management company, specializing in affordable housing for nonprofit corporations. They currently manage Cordova Village, a project in CHFA's loan portfolio. Aside from SRO's, they manage 302 units of affordable housing in five projects.

Project Summary

Date: 7-May-99

Project Profile:

Project :	Maplewood Apts.	*Appraiser:*	Wayne S. Froboese, MAI
Location:	12715 Mapleview St.		Froboese Realty Group
	Lakeside	*Cap Rate:*	9.50%
County/Zip:	San Dieg 92040	*Market:*	$ 4,460,000
Borrower:	Community Housing	*Income:*	$ 4,480,000
GP:	TBD	*Final Value:*	$ 4,460,000
LP:	TBD		
		LTC/LTV:	
Program:	Tax Exempt	*Loan/Cost*	53.3%
CHFA #:	99-012-S	*Loan/Value*	68.4%

Project Description:

Units	79
Handicap Units	3
Bldge Type	Acq./Rehab
Buildings	11
Stories	2
Gross Sq Ft	62,272
Land Sq Ft	101.059
Units/Acre	34
Total Parking	137
Covered Parking	137

Financing Summary:

	Amount	Per unit	Rate	Term
CHFA First Mortgage	$3,050,000	$38,608	5.90%	30
CDBG/HOME	$1,056,000	$13,367	3.00%	30
AHP	$385,000	$4,873	0.00%	-
Other Loans	$0	$0		
Borrower Contribution	$0	$0		
Tax Credii Equity	$1,196,853	$15,150		
Deferred Developer Fee	$30,265	$383		
CHFA Bridge	$0	$0	0.00%	
CHFA HAT	$0	$0	0.00%	

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
Manager	685	2	N/A	$400	$0
2 BR	685	28	50% CHFA	$535	$23,625
3 BR	950	16	50% CHFA	$615	$26,250
2 BR	685	19	60% TCAC	$560	$28,350
3 BR	950	10	60% TCAC	$740	$31,500
2 BR	685	2	35% TCAC	$366	$15,750
3 BR	950	2	35% TCAC	$421	$17,010
		79			

Fees, Escrows and Reserves:

Escrows	Basis of Requimments		Amount	Security
Commitment Fee	1.25%	of Loan Amount	$38,125	Cash
Finance Fee	1.25%	of Loan Amount	$38,125	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$30,500	Letter of Credii
Rent Up Account			$0	Letter of Credii
Operating Expense Reserve	10.00%	of Gross Income	$55,013	Letter of Credit
Marketing			$0	Letter of Credit
Annual Replacement Reserve Deposit	$350	Per Unit	$27,650	Operations
Initial Deposit to Replacement Reserve	$1,000	Lump Sum	$79,000	Cash

Sources and Uses — Maplewood Apts.

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	3,050,000	53.34%	48.98	38,608
CHFA Bridge	0	0.00%	-	0
CHFA HAT	0	0.00%	-	0
CDBG/HOME	1,056,000	18.47%	16.96	13,367
Loan 5	0	0.00%	-	0
Other Loans	385,000	6.73%	6.18	4,873
Total Institutional Financing	4,491,000	78.54%	72.12	56,848
Equity Financing				
Tax Credits	1,196,853	20.93%	19.22	15,150
Deferred Developer Equity	30,265	0.53%	0.49	383
Total Equity Financing	1,227,118	21.46%	19.71	15,533
TOTAL SOURCES	5,718,118	100.00%	91.82	72,381

USES:

Acquisition	4,340,675	75.91%	69.71	54,945
Rehabilitation	552,130	9.66%	8.87	6,989
New Construction	0	0.00%	-	0
Architectual Fees	0	0.00%	-	0
Survey and Engineering	2,600	0.05%	0.04	33
Const. Loan Interest & Fees	123,879	2.17%	1.99	1,568
Permanent Financing	90,250	1.58%	1.45	1,142
Legal Fees	25,000	0.44%	0.40	316
Reserves	134,013	2.34%	2.15	1,696
Contract Costs	14,000	0.24%	0.22	177
Construction Contingency	90,126	1.58%	1.45	1,141
Local Fees	3,500	0.06%	0.06	44
TCAC/Other Costs	126,945	2.22%	2.04	1,607
PROJECT COSTS	5,503,118	96.24%	88.37	69,660
Developer **Overhead/Profit**	185,000	3.24%	2.97	2,342
Consultant/Processing Agent	30,000	0.52%	0.48	380
TOTAL USES	5,718,118	100.00%	91.82	72,381

Annual Operating Budget Maplewood Apts.

		% of total	$ per unit
INCOME:			
Total Rental Income	542,808	98.7%	6,871
Laundry	7,319	1.3%	93
Other income	0	0.0%	-
CommerciaVRetail	0	0.0%	-
Gross Potential Income (GPI)	550,127	100.0%	6,964
Less:			
Vacancy Loss	27,506	5.0%	348
Total Net Revenue	522,620	95.0%	6,615
EXPENSES:			
Payroll	41,490	8.4%	525
Administrative	54,116	11.0%	685
Utilities	50,666	10.3%	641
Operating and Maintenance	78,200	15.8%	990
insurance and Business Taxes	18,537	3.8%	235
Taxes and Assessments	6,100	1.2%	77
Reserve for Replacement Deposits	27,650	5.6%	350
Subtotal Operating Expenses	276,759	56.0%	3,503
Financial Expenses			
Mortgage Payments (1st loan)	217,088	44.0%	2,748
Total Financial	217,088	44.0%	2,748
Total Project Expenses	493,847	100.0%	6,251

Cash Flow Maplewood Apts. CHFA # 99-012-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year5	Yew6	Year 7	Year 8	Yew 9	Year 10
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	WA
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	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	542,808	556,378	570,288	584,545	599,158	614,137	629,491	645,228	661,359	677,893
TOTAL RENTAL **INCOME**	542,808	556,378	570,288	584,545	599,158	614,137	629,491			
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	7,319	7,502	7,689	7,881	8,078	8,280	8,487	8,699	8,917	9,140
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	7,319	7,502	7,689	7,881	8,078	8,280	8,487	8,699	8,917	9,140
GROSS INCOME	550,127	563,880	577,977	592,426	607,237	622,418	637,978	653,928	670,276	687,033
Vacancy** Rate **:Market	N/A	N/A	WA	N/A	N/A	N/A	N/A	WA	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	27,506	28,194	28,899	29,621	30,362	31,121	31,899	32,698	33,514	34,352
EFFECTIVE GROSS INCOME	522,620	535,686	549,078	562,805	576,875	591,297	606,079	621,231	636,762	652,661
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4 . m	4.00%	4.00%	4.00%
	243,009	252,729	262,839	273.352	284,286	295,658	307,484	319,783	332,575	345,878
Replacement Reserve	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	8,100	6,222	6,346	6,473	6,603	6,735	6,870	7,007	7,147	7,290
TOTAL EXPENSES	276,759	286,601	296,835	307,475	318,539	330,042	342,004	354,440	367,372	380,818
NET OPERATING INCOME	245,861	249,084	252243	255,329	258,336	261,254	264,076	266,791	269,390	271,863
DEBT SERVICE										
CHFA - **1st Mortgage**	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088
CHFA - **Bridge** Loan	0	*0*	0	0	0					
CHFA - HAT Loan	0	0	*0*	*0*	*0*					
CASH FLOW **after debt service**	28,773	31,996	35,155	38,241	41,248	44,166		49,703	52,302	54,775
DEBT COVERAGE RATIO	1.13	1.15	1.16	1.18	1.19	1.20	1.22	1.23	1.24	1.25

Cash Flow

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	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	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	694,840	712,211	730,016	740.267	766,973	786,148	805,802	825,947	846,595	867,760
TOTAL RENTAL INCOME	694,840	712,211	730,016	748,267	766,974	786,148	805,802	825,947	846,595	867,760
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	9,368	9,603	9,843	10,089	10,341	10,599	10,864	11,136	11,414	11,700
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	9,368	9,603	9,843	10,089	10,341	10,599	10,864	11,136	11,414	11,700
GROSS INCOME	704,209	721,814	739,859	758,356	777,314	796,747	816,666	837,083	858,010	879,460
Vacancy Rate : Market	WA	N/A	WA	N/A	WA	N/A	WA	N/A	WA	N/A
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	35,210	36,091	36,993	37.918	38,866	39,837	40,833	41,854	42,900	43,973
EFFECTIVE GROSS INCOME	668,998	685,723	702,866	720,438	738,449	756,910	775,833	795,229	815,109	835,487
OPERATING EXPENSES										
Annual Expense Increase	4m	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4m	4.00%	4 . m
Expenses	359.713	374,101	389,065	404,628	420,813	437,645	455.151	473,357	492,292	511,983
Replacement Reserve	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650
Annual Tax Increase	2m	2m	2.00%	2.00%	2.00%	2m	2.00%	2.00%	2 . m	2.00%
Taxes and Assessments	7,436	7,585	7,736	7.891	8,049	0,210	. 0,374	8,541	8,712	8,887
TOTAL EXPENSES	394,799	409,336	424,452	440,169	456,512	473,505	491,175	509,549	528,654	548,520
NET OPERATING INCOME	274,200	276,387	278,415	280,269	281,937	283,405	284,657	285,680	286,455	286,967
DEBT SERVICE										
CHFA - 1st Mortgage	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH R O W after debt service	67,112	59,299	61,327	63,181	64,849	66,317	67,569	68,592	69,367	69,879
DEBT COVERAGE RATIO	1.26	1.27	1.28	1.29	1.30	1.31	1.31	1.32	1.32	1.32

Cash Flow

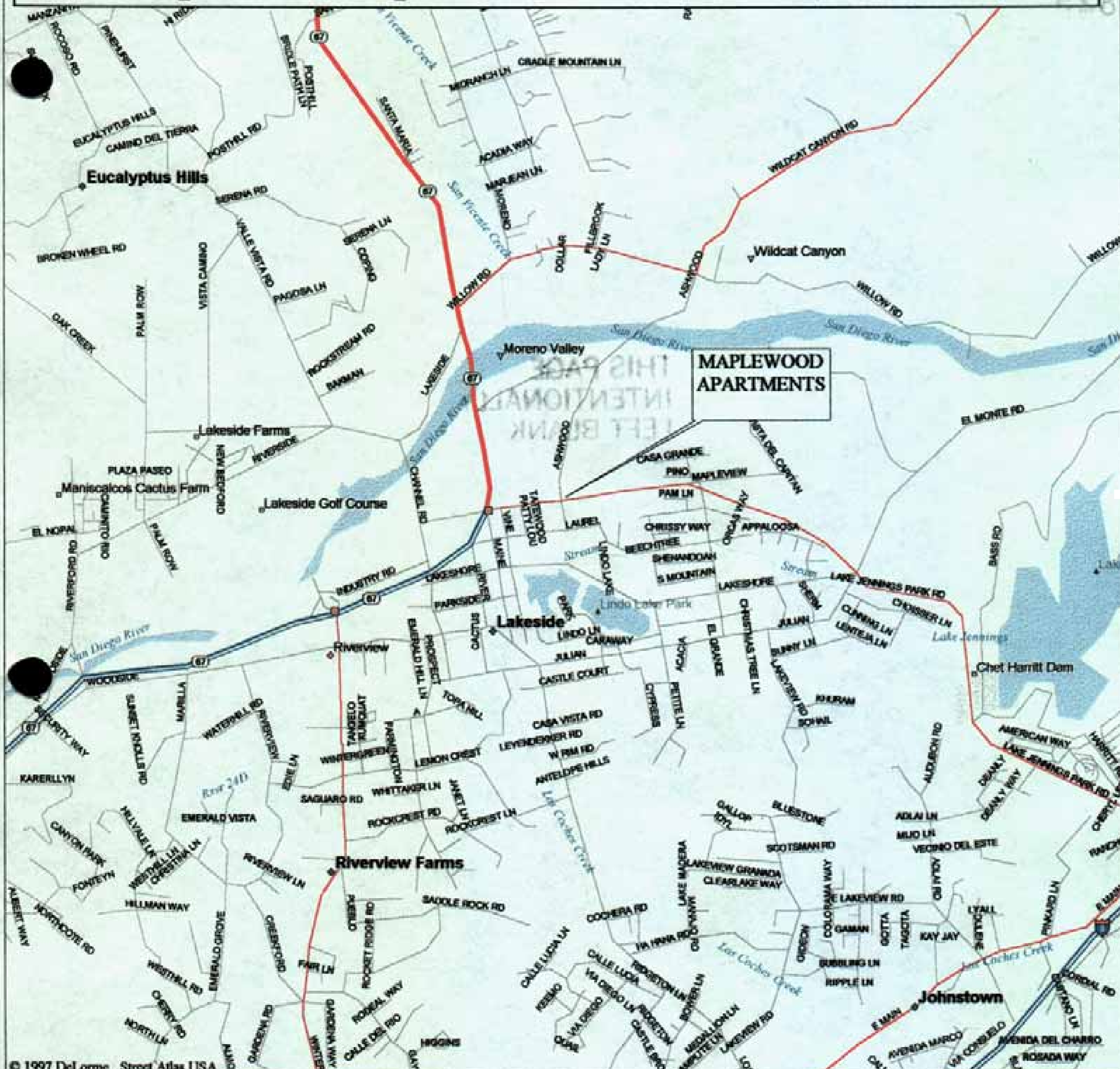
RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	N/A	N/A	N/A	N/A	WA	N/A	WA	WA	N/A	N/A
Market Rents	N/A	N/A	N/A	N/A	N/A	NIA	N/A	N/A	N/A	N/A
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	889,454	911,690	934,483	957.845	981,791	1,006,336	1,031,494	1,057,281	1,083,713	1,110,806
TOTAL RENTAL INCOME	889,454	911,690	934,483	957,845	981,791	1,006,336	1,031,494	1,057,281	1,083,713	1,110,806
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	11,992	12,292	12.599	12.914	13,237	13,568	13,907	14,255	14,611	14,977
Other Income	N/A	WA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	11,992	12,292	12,599	12,914	13.237	13,568	13,907	14,255	14,611	14,977
GROSS INCOME	901,446	923,983	947,082	970,759	995,028	1,019,904	1,045,402	1,071,537	1,098,325	1,125,783
Vacancy Rate : Market	WA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	WA
Vacancy Rate : Affordable	5m	5m	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	45,072	46,199	47,354	48,538	49,751	50,995	52,270	53,577	54,916	56,289
EFFECTIVE GROSS INCOME	856,374	877,783	899,728	922,221	945,277	968,909	993,131	1,017,960	1,043,409	1,069,494
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	532,463	553,761	575,912	598,948	622,906	647,822	673.735	700,685	728,712	757,860
Replacement Reserve	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650
Annual Tax Increase	2.00%	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	9,064	9,246	9,430	9,619	9,811	10,008	10,208	10,412	10,620	10,833
TOTAL EXPENSES	569,177	590,657	612,992	636,217	660,367	685,480	711,593	738,747	766,982	796,343
NET OPERATING INCOME	287,197	287,127	286,736	286,004	284,909	283,429	281,538	279,213	276,427	273,151
DEBT SERVICE										
CHFA - 1st Mortgage	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088	217,088
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	70,109	70,039	69,648	68,916	67,821	66,341	64,451	62,125	60,330	56,063
DEBT COVERAGE RATIO	1.32	1.32	1.32	1.32	1.31	1.31	1.30	1.29	1.27	1.26

Maplewood Apartments - Lakeside(REGIONAL) 826

Mag 11.00
Wed May 12 15:10 1999
Scale 1:300,000 (at center)
5 Miles
10 KM

Major Connector	Small Town
State Route	Geographic Feature
Primary State Route	Hospital
Rest Area	Park/Reservation
Interstate/Limited Access	Exit/Gas
Toll Highway	Exit/Lodging
Exit	Exit/Food
Point of Interest	Mega City

Maplewood Apartments - Lakeside(LOCAL) 828



Mag 14.00
Wed May 12 14:24 1999
Scale 1:31,250 (at center)
2000 Feet
1000 Meters

[redacted]nector
Primary State Route
Interstate/Limited Access
Exit
Point of Interest
Small Town
Geographic Feature
Park/Reservation
Locale
Water
Woodland
River/Canal
Intermittent River

RESOLUTION 99-18

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Community Housing of North County, 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 on a 79-unit multifamily housing development located in the City of Lakeside to be known as Maplewood Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 7, 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 bas determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVES 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
99-012-S	Maplewood Apartments Lakeside/San Diego	79	$3,050,000

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 99-18 adopted at a duly constituted meeting of the Board of the Agency held on May 26, 1999, at Burbank, California.

ATTEST:______________
Secretary

Executive Summary

Date: 7-May99

Project Profile:

Project :	Ellis Street Apartments	*Borrower:*	Tenderloin Neighborhood DC
Location:	864 Ellis Street	*GP:*	TBD
City:	San Francisco	*LP:*	TBD
County:	San Francisco	*Program:*	Special Needs Loan Program
Type:	Acquisition/Rehabilitation	*CHFA #* :	99-010-N

Financing Summary:

	Final	Per Unit
(CHFA) First Mortgage	$0	$0
UMB Seismic Safety Loan	$185,000	$7,400
City of San Francisco	$1,631,270	$65,251
In Lieu Fees	$240,000	$9,600
HOPWA	$515,454	$20,618
AHP	$125,000	$5,000
Tax Credits	$2,261,664	$90,467
CHFA Tax Exempt Bridge	$0	$0
CHFA HAT Bridge	$1,781,250	$71,250

Loan to Value
95.0%

Loan to Cost
26.4%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
OBR	400	24	50% CHFA	$622	$24,000
OBR	225	1	Manager		

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
CHFA HAT Bridge Loan
Special Needs Loan Program
The Ellis Street Apartment
864 Ellis Street
San Francisco, CA

CHFA Ln. # 99-010-N

SUMMARY:

This is a request for a HAT Bridge Loan to bridge tax credit proceeds for the Ellis Street Apartments, located at 864 Ellis Street, in San Francisco. The project contains 25 studio units. The building is scheduled to undergo substantial rehabilitation. The project will serve a special-needs population of homeless youth, and emancipated foster youth, ages 18-24, who are either homeless or in danger of becoming homeless. Six of the units will be reserved for homeless or formerly homeless youth with HIV/AIDS. The Sponsor will be the Tenderloin Neighborhood Development Corporation (TNDC).

LOAN TERMS:

CHFA HAT Bridge Loan	$1,781,250
Interest Rate:	1%
Term:	5 years

SPECIAL NEEDS TERMS:

Interest Subsidy:

The proposed Agency taxable bridge loan will allow for the phased pay in of the tax credits. By providing this bridge loan at a reduced rate, the Sponsor will have access to an additional $320,000 of equity for the project. The Agency's taxable bridge loan will be in first lien position and secured by both the real estate and by an assignment of the general partner's interest in the tax credits. The Agency will use available financial resources to reduce the interest rate from 7% to 1%.

Funding Structure.

There will be no conventional scheduled debt on the project due to the very low income of the tenants. All of the permanent debt on the project will either be forgiven, or repaid through residual receipts. All of the permanent funding for the project is committed, except for the HOPWA funds. The Agency's commitment will be conditioned upon the Borrower receiving a commitment of the HOPWA funds.

LOCALITY INVOLVEMENT / AND OTHER FUNDING

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
UMB Seismic Safety Loan	$185,000	residual receipts, simple interest, balloon	20	2.50%
SF MOH	$1,631,279	residual receipts, simple interest, balloon	55	1.00%
SF In Lieu Fee Program	$240,000	residual receipts, simple interest, balloon	30	0.00%
HOPWA	$$515,454	residual receipts, simple interest, balloon	55	3.00%
FHLB-AHP	$125,000	Forgivable Loan	30	0.00%

The San Francisco Mayor's Office of Housing (SF MOH) loaned the Borrower **$1,023,085** to acquire the project on June **8, *1998*** project. They have committed an additional $608,194 for construction **and** permanent financing for the project.

The project received a loan commitment for $185,000 for seismic repairs from the City of San Francisco's Unreinforced Masonry Building Seismic Safety Loan Program (SF UMB Seismic Safety Loan). The payments for the UMB Seismic Safety loan are from residual receipts with a loan term of 20 *years.* The project will make payments into a sinking fund of approximately $16,000 per year in order to insure repayment of this loan in year 20.

The San Francisco In Lieu Fee Program is contributing $240,000. The funds will **be paid** directly to the project by Burnham Pacific Properties at construction loan closing.

The project has applied for and expects to receive a loan of $515,454 from Housing Opportunities for People with Aids (HOPWA) which is administered by the San Francisco Redevelopment Authority. Six (6) units in the project will serve as housing for homeless or formerly homeless youth with HIV/AIDS.

The project has received a Federal Home Loan Bank Affordable Housing Program (AHP) loan of $125,000. The *AHP* **award** is forgivable at the end of the term of the **loan** if the regulatory conditions of **the program** have been met.

The project has applied for and received McKinney SRO Mod-Rehab rental assistance. The McKinney rental assistance includes 24, ten-year, project-based Section 8 certificates. The residents will only pay 30% of their income for rent.

The project will compete for an allocation of 9% tax credits. This project is one of three projects approved by the City of San Francisco to apply for 9% credits in the July 1999. One of the other projects is a small special needs project, and the other is a large conversion of a HUD housing project under the HOPE 6 program that is being sponsored by the San Francisco Housing Authority.

The City of San Francisco limits the number of applicants applying for funding in each round to insure that their approved applicants receive 9% tax credits. Under the previous TCAC lottery system, this project was assured of receiving an allocation in July 1999 because there was an allocation set-aside for SRO/Special Needs. The TCAC new scoring system allocated more points for large family projects and may advantage the large HOPE 6 project, and leave no tax credits for the two special needs projects. Therefore, the Borrower is not assured of receiving credits in July 1999, and they may have to apply again in 2000.

The Agency Final Commitment will be contingent upon the project receiving an allocation of 9% tax credits in 1999 or the year 2000.

SPECIAL NEEDS POPULATION:

This project will provide permanent housing for young adult's ages 18-24 that were recently emancipated from foster care; for homeless or formerly homeless youth, most of who are runaways that are no longer able to return home; and for homeless or formerly homeless young adults with disabling HIV and AIDS.

The City of San Francisco's City Attorney has determined that the acceptance of this project by McKinney SRO Mod-Rehab has created a governmental purpose for restricting occupancy to young adults and will not violate the fair housing laws. The Agency's final commitment will be conditioned upon receiving a legal opinion on this issue.

Studies by the UCLA School of Social Work and the California Youth Correction Department show that approximately one-third to one-half of youth emancipated by the foster care system become homeless, due to a lack of independent living skills and a lack of affordable housing. Each year it is anticipated that 2000 to 4000 homeless and runaway youth live on the streets of San Francisco. Two-thirds of these youth cannot return home because their parents are unable or unwilling to care for them.

Homeless youth become vulnerable to substance abuse (60%), mental health problems (49%), and are often involved in sex for survival (15%). Projections by the Borrower are that 63% will be male, 50% will be of a racial or ethnic minority, and 38% will be homosexual.

Social Service Program:

Social Services will be provided by the Larkin Street Youth Center (LSYC) in conjunction with the Sponsor. LSYC has applied for a HUD McKinney Supportive Services Grant to fund their participation in this project. They are expected to receive the Supportive Service grant prior to construction completion.

LSYC will have a full-time case manager on site. In addition to providing in-depth counseling, the case-manager will assist residents with basic life skills including money management, and conflict resolution. Two of the youth will be employed as part-time resident advisors. LSYC has an employment specialist on staff who will assist residents in obtaining financial self-sufficiency.

A full continuum of social services designed to help the residents develop and maintain independent living skills will be available off-site at the Larkin House. The Larkin House will also provide linkages to off site services including education, medical care, HIV/AIDS support, and recreation.

It is anticipated that about 30% of the tenants will voluntarily choose to leave the Ellis Apartments each year and move into fully independent living environments.

MARKET

A. Market Overview

The project is a five-story fire damaged residential building located at 864 Ellis Street in the Tenderloin District of San Francisco. The property has a rear entrance on Olive Street, and is situated between Van Ness Avenue to the West, and Polk Street to the South. An appraisal was commissioned by the Agency by Cameghi-Bautovich & Partners. The appraisal is dated April 1999. Information on the market area is taken from that document.

The City of San Francisco has a population of 778,100. It is at the geographic center of the Bay Area, which is the 5th largest metropolitan center in the United States with a population of 5,700,000. The San Francisco housing market is one of the most expensive in the country. Vacancy rates have been approximately 1% for the last several years and the overall market has stayed very strong with rapidly escalating prices. The supply of housing is very limited and the outlook for the housing market is very positive.

The project area is between the Van Ness Comdor neighborhood to the West, the Tenderloin neighborhood to the East, and the Civic Center Neighborhood to the South. Auto dealers, and converted auto dealerships characterize the Van Ness Corridor. The Civic Center Neighborhood houses most city offices and government buildings. The

Tenderloin neighborhood is characterized by older five to seven story apartment buildings with small units, and by a large number of residential hotels in poor condition.

The general outlook for the neighborhood surrounding the project is positive. Many of the buildings on adjacent streets are historic. The subject property is surrounded by smaller commercial buildings in fair to average condition, and by smaller apartment buildings. The immediate neighborhood is being gentrified and a full block complex of luxury residential units over a 12 screen movie theatre, and a health club was recently constructed one block from the property at 1000 Van Ness.

PROJECT FEASIBILITY

B. Rent Differentials (Market vs. Restricted)

All 25 units are studio apartments. All units have a bedroom, a full kitchen and a bath. The kitchens will have a gas stove, a refrigerator, cabinet space and an eating area. The owner plans to keep the existing hardwood floors, and historic molding detail. The bathrooms will have a sink, toilet, and tub with a shower facility. There will be a laundry room in the building. Eight of the units are 250 square feet. The remaining of the sixteen studios units are 425 square feet.

The appraisal reviewed six rental buildings in the competitive rental area with comparable units. Studio units in these buildings are renting at between $750 and $950 per month. Occupancy rates were between 95% and 100% at all buildings. The finishes at the subject property will be superior to the comparable studio units, but the units are slightly smaller. Therefore, market rents have been set at between $700 to $800 per month.

Rent Level	Section 8 rent	Mkt. Rate Avg.	Difference	Percent
Unit Size and Type				
Smaller studio units - 250 sq. ft.	$642	$700	$58	9%
Larger studio units - 425 sq. ft.	$642	$800	$158	25%

The residents will have incomes at or below 35% of the area median income *(AMI).* Section 8 requires that they pay 30% of their income in rent. At 35% of AMI, the tenant portion of the rent will be $375 per month.

C. Estimated Lease-Up Period

The project is expected *to* lease up as soon as construction is completed due *to* the large number of homeless and runaway youth who live on the streets of San Francisco.

The project will recruit potential tenants through formal arrangements with the foster care programs in both San Francisco and Alameda Counties. Tenants will also be recruited through formal arrangements with group homes serving at risk youth and other forms of transitional living for youth that are at risk of becoming homeless.

PROJECT DESCRIPTION:

A. Site Design:

The property is an existing 12,600 square-foot five-story building, built in *1911.* It is *120* feet long and *27* feet wide. Each floor is 2,364 square-feet. There is also a *780* square-foot partial basement.

The ground level includes a small lobby, a one-bedroom unit, and a laundry room. It will be reconfigured into a lobby, community space, a studio apartment, and laundry room. There are six units per floor on floors *2-5.*

The building is in a RC-4 zone. 'This zone allows for residential and commercial combined, and is a high-density zone. The building is legally non-conforming. It has no parking, and no front, side or rear yards. It is a non-rated contributor to a historic district. It is in the Van Ness Avenue Plan that requires that all future development be at least 75% residential.

B. Type of Construction:

The property is an existing five story, un-reinforced masonry building built in *1911.* It is partially sprinkled. The property had a fire in *1977* that started in the third floor. Most of *the* fire damage was limited smoke and water damage, except for nine units in the front of the building which were destroyed. The roof was also damaged, and the building was open to the elements for a year. The Borrower has had the building reviewed by a *team* of structural engineers and architects, who recommended a substantial rehabilitation of the structure.

Planned retrofit includes:

- New structural bracing will be added to the building, and a new foundation poured to bring the building up to *1999* seismic codes.
- All systems will be substantially upgraded including electrical, gas, heating & plumbing.
- Fire alarms and fire sprinklers will be updated to current code.
- The trash chute will be moved to allow for seismic retrofit.
- The elevator will be replaced.
- There will be a new roof.
- The entire front façade will be repaired and upgraded.

- New windows will be added at the ground floor level, and repaired on upper floors as needed.
- The ground floor will be reconfigured to allow for a managers unit and a community space for the tenants.
- All items in the nine fire damaged units will be replaced except for the hardwood floors. The floors will be sanded and refinished.
- The remaining units will be upgraded as required.

OCCUPANCY RESTRICTIONS:

CHFA:	100% of the unit's (24) will be restricted to 50% or less of median income for 10 years.
SF MOH	100% of the units (24) will be restricted an average of 35% or less of median income for 55 years.
TCAC:	100% of the unit's (24) will be restricted to an average of 35% or less of median income for 55 years.
AHP less	100% of the unit's (24) will be restricted to an average of 35% or of area median income for 30 years.

ENVIRONMENTAL:

A Phase I Environmental Site Assessment Report was prepared by Camp Dresser & McGee and dated April 7,1998. A reliance letter was executed in favor of the Agency on April 20, 1999. The Phase I report concluded that there was no evidence of environmental contaminant problems with the property. However, there was a potential for asbestos containing materials in the pipe insulation and the vinyl flooring. The report found no evidence that would suggest that off-site properties had released contaminants that would result in environmental impairment with the property.

The property is an unreinforced masonry. It was submitted to the San Francisco inventory of un-reinforced buildings on February 2, 1994. Listing on the registry requires that the owner either submit an acceptable application to the city for seismic retrofit or an application for demolition by February 15,2001. It also requires that structural alteration work or demolition be completed by February 15, 2004. The Borrower is planning to spend $300,000 in seismic strengthening, including structural bracing, and a new foundation. The Agency will condition our Bridge loan upon Agency approval of the seismic remediation plan and removal of the building from the San Francisco seismic registry.

The property is in an area, and of an age, that indicates the presence of lead paint. The Agency will condition our Bridge loan on lead remediation being done to the lead-safe standards contained in the 1995 HUD Lead Paint guidelines, and upon the Borrower providing evidence that the required lead wipe-testing was completed prior to occupancy.

The presence of asbestos has been detected. The Agency's Bridge loan will be conditioned upon the asbestos remediation work being done to the recommendations of the asbestos study and receiving a certification from a firm acceptable to the Agency that the remediation was done by qualified technicians and to appropriate standards.

Funding for the property requires handicapped accessiblitliy to the standards contained in Section *504,* Title 24 and UFAS. The Agency will condition the loan upon the Borrower providing an acceptable certification from the project architect that the rehabilitation meets all federal, state, and local accessibility laws and ordinances.

Relocation:

The property was vacant when it was purchased by TNDC. TNDC believed at the time that they were not liable for relocation benefits because the displacing event took place before they entered into negotiations to acquire the property.

However, the former tenants sued the former owner for negligence, alleging among other things that a former tenant who was involved in illegal activities started the fire. TNDC was named as a party to the lawsuit. The plaintiffs and TNDC are currently in settlement discussions. TNDC's insurance company has conditionally agreed to settle the lawsuit and pay for the plaintiff's attorney's fees. There is an additional $60,000 in the development budget to pay €or costs related to the litigation. The Agency's bridge loan will be conditioned upon TNDC arriving at a settlement with the former tenants, and securing a release of all claims acceptable to the Agency.

ARTICLE 34:

The property is exempt from Article 34 in that the previous tenants were low income. A satisfactory opinion letter will be required prior to loan close.

DEVELOPMENT TEAM:

A. Borrower's profile

The Tenderloin Neighborhood Development Corporation (TNDC) will be responsible for the financing, renovation and property management of the project. TNDC is a aon-profit corporation.

TNDC has 17 years experience in affordable housing development and management. They currently own and manage 15 buildings with 858 units. They have also provided technical assistance to other non-profits and have overseen the development of an additional 220 units.

TNDC has a long history with service-enriched housing. They currently provide an on-site social worker at many of their projects and are in partnerships with social service providers at many of their properties to provide social services. They currently operate the Tenderloin After School Program for youth ages 5-18, and also operate a training and hiring program for residents of the Tenderloin District.

TNDC will partner with the Larkin Street Youth Center (LYSC) to provide social services. LYSC is a non-profit that has served the youth population of San Francisco for over 15 years and is regarded as a leader in the service provision for homeless youth.

B. Contractor

The Contractor will not be chosen until the project receives an allocation of tax credits. In the meantime, the architects have prepared the cost estimates. The development budget is structured to accommodate the uncertainty. A large construction contingency has been added. Additionally $225,000 of construction items has been structured as alternates, to be completed only if funds are available.

C. Architect

The project architects are Gelfand RNP. Chris Duncan is the project architect. The San Francisco Mayor's Office of Housing requires that the architect be chosen in a competitive bidding process.

D. Management Agent

Tenderloin Neighborhood Development Corporation will self manage the project.

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Project Summary

844 Date: 7-May99

Project Profile:

Project: 864 Ellis Street
Location: 864 Ellis Street
San Francisco
County/Zip: San Francis Zip
Borrower: TBD
GP: Tenderloin Neighborhood DC
LP: TBD

Program: Taxable - Special Needs
CHFA #: 99-010-N

Appraiser: Chris Carneghi, MAI
Carneghi-Bautovich
Cap Rete: 7.00%
Market: $ 1,875,000
Income: $ 1,870,000
Final Value: $ 1,875,000

LTC/LTV:
Loan/Cost 26.4%
Loan/Value 95.0%

Project Description:

Units	25
Handicap Units	2
Bldge Type	rehabilitation
Buildings	1
Stories	5
Gross Sq Ft	12,600
Land Sq Ft	3,300
Units/Acre	330
Total Parking	0
Covered Parking	0

Financing Summary:

	Amount	Per unit	Rate	Term
(CHFA) First Mortgage	$0	$0	0.00%	
UMB Seismic Safety Loan	$185,000	$7,400	2.50%	20
City at San Francisco	$1,631,279	$65,251	1.00%	55
In Lieu Fees	$240,000	$9,600	3.00%	55
HOPWA	$515,454	$20,618	0%	30
AHP	$125,000	$5,000		
Tax Credit Equity	$2,261,664	$90,467		
DeferredDeveloper Fee	$0	$0		
CHFA HAT Bridge	$1,781,250	$71,250	1.00%	5

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
OBR	400	24	50% CHFA	$622	$24,000
OBR	250	1	NA	MANAGER	NA

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$17,813	Cash
Finance Fee	0.00%	of Loan Amount	$0	Cash
Bond origination Guarantee	0.00%	of Loan Amount	$0	Letter of Credii
Rent Up Account	15.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$0	Letter at Credit
Marketing	10.00%	of Gross Income	$0	Letter of Credii
Section 8 Reserve	Value of Section 8	Years 11-15	$150,000	Cash

Sources and Uses — 864 Ellis Street

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
(CHFA) First Mortgage	0	0%	-	0
CHFA Tax Exempt Bridge	0	0%	-	0
CHFA HAT Bridge	1,781,250	26%	141.37	71,250
UMB Seismic Safety Loan	185,000	3%	14.68	7,400
City	1,631,279	24%	129.47	65,251
In Lieu Fees	240,000	4%	19.05	9,600
HOPWA	515,454	8%	40.91	20,618
AHP	125,000	2%	9.92	5,000
Total Institutional Financing	4,477,983	66.44%	355.40	179,119
Equity Financing				
Tax Credits	2,261,664	33.56%	179.50	90,467
Deferred Developer Equity	0	0.00%	-	0
Total Equity Financing	2,261,664	33.56%	179.50	90,467
TOTAL SOURCES	6,739,647	100.00%	534.89	269,586

USES:

Acquisition	964,277	14.31%	76.53	38,571
Rehabilitation	2,239,656	33.23%	177.75	89,586
New Construction	0	0.00%	-	0
Architectual Fees	118,000	1.75%	9.37	4,720
Survey and Engineering	18,337	0.27%	1.46	733
Const. Loan Interest & Fees	184,645	2.74%	14.65	7,386
Bridge Repayment & CHFA Fees	1,855,854	27.54%	147.29	74,234
Legal Fees	41,542	0.62%	3.30	1,662
Reserves	200,000	2.97%	15.87	8,000
Contract Costs	38,534	0.57%	3.06	1,541
Construction Contingency	439,969	6.53%	34.92	17,599
Local Fees	20,098	0.30%	1.60	804
TCAC/Other Costs	157,047	2.33%	12.46	6,282
PROJECT COSTS	6,277,959	93.15%	498.25	251,118
Developer Overhead/Profit	434,688	6.45%	34.50	17,388
Consultant/Processing Agent	27,000	0.40%	2.14	1,080
TOTAL USES	6,739,647	100.00%	534.89	269,586

Annual Operating Budget 864 Ellis Street

		% of total	$ per unit
INCOME:			
Total Rental Income	179,136	99.2%	7,165
Laundry	1,440	0.8%	58
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	180,576	100.0%	7,223
Less:			
Vacancy Loss	9,029	*5.0%*	361
	171,547	95.0%	6,862
EXPENSES:			
Management Related Payroll	56,524	39.5%	2,261
Administrative	24,314	17.0%	973
Utilities	21,300	14.9%	852
Operating and Maintenance	19,717	13.8%	789
Insurance and Business Taxes	8,659	6.1%	346
Taxes and Assessments	800	0.6%	32
Reserve for Replacement Deposits	11,759	8.2%	470
Subtotal Operating Expenses	143,074	100.0%	5,723
financial Expenses			
Mortgage Payments (1st loan)	0	0.0%	-
Total Financial	0	0.0%	-
Total Project Expenses	143,074	100.0%	5,723

864 Ellis Street CHFA # 99-010-N

RENTAL INCOME	Year 1	Year 2	Year 3	Yen4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	WA	N/A	WA	WA	N/A	WA	WA	N/A	WA	N/A
Market Rents	N/A	N/A	N/A	N/A	N/A	WA	N/A	N/A	WA	PUA
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	179,136	183,814	188,205	192,910	197,733	202,676	267,743	212,936	218,260	223,718
TOTAL RENTAL **INCOME**	179,136	183,614	188,205	192,910	197,733	202,676	207,743	212,936	218,260	223,716
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	1,440	1,478	1,513	1,551	1,589	1,629	1,670	1,712	1,755	1,798
Other Income	N/A	N/A	N/A	WA	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL **OTHER**	1,440	1,476	1,513	1,551	1,589	1,629	1,670	1.712	1,755	1,798
GROSS INCOME	180,576	185,090	189,718	194,461	199,322	204,305	209,413	214,648	220,014	225,515
Vacancy Rate : Market	WA	WA	N/A	WA	WA	WA	WA	WA	WA	WA
Vacancy Rate :Affordable	5 . m	5 . m	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	9,029	9,255	9,486	9,723	9,966	10,215	10,471	10,732	11,001	11,276
EFFECTIVE GROSS INCOME	171,547	175,836	180,232	184,738	189,356	194,090	198,942	203,916	209,014	214,239
OPERATING EXPENSES										
Annual ***Expense Increase***	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%
E———	130,514	135,735	141,164	146,811	152,683	158,791	165,142	171,748	178,618	185,763
Operating Reserve	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	11,759	11,759	11,759	11,759	11,759	11,759	11,759	11,159	11,759	11.159
Annual Tax Increase	2.00%	2.00%	2.00%	2 . m	2 . m	2.00%	2.00%	2.00%	2.00%	2.m
Taxes end **Assessments**	800	818	832	849	866	883	901	919	937	956
TOTAL EXPENSES	143,074	148,310	153,756	159,419	165,308	171,433	177,802	104,426	191,314	198,478
NET OPERATING INCOME	28,474	27,526	26,476	25,319	24,048	22,657	21,140	19,490	17,699	15,761
DEBT SERVICE										
CHFA - **1st**	0	0	0	0	0	0	0	0	0	0
CHFA HAT **Bridge**	367,008	367,008	367,008	367,008	367,008					
CASH FLOW **after debt service**	28,474	27,526	26,476	25,319	24,048	22,657	21,140	19,490	17,699	15,761
Cash Available for Distribution	28,474	27,526	26,476	25,319	24,048	22,657	21,140	19,490	17,699	15,761
UMB Seismic Safety Sinking Fund	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	15,761
Partnership Fee	12,000	11.526	10,476	9.319	8,048	8,857	5.140	3,490	1.899	0

47

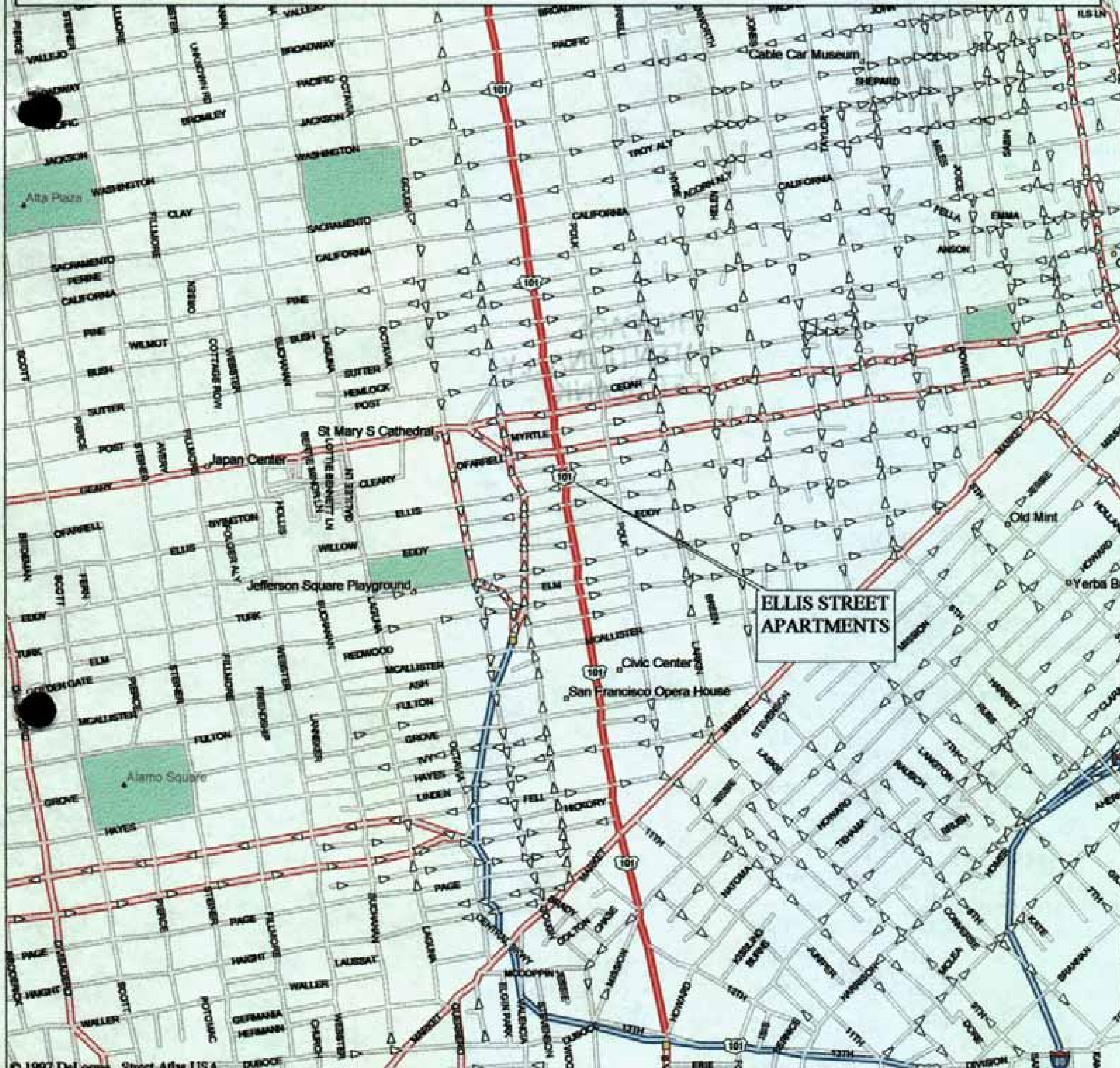
Ellis Street Apts. - San Francisco(REGIONAL) 848

Mag 10.00
Wed May 12 13:26 1999
Scale 1:500,000 (at center)
10 Miles
10 KM

Major Connector
State Route
Primary State Route
Interstate/Limited Access
Toll Highway
US Highway
Rest Area with facilities
Exit

Point of Interest
County Seat
Small Town
Large City
Geographic Feature
Hospital
Park/Reservation
Exit/Gas

Ellis Street Apts. - San Francisco(LOCAL) 850



Mag 15.00
Wed May 12 13:55 1999
Scale 1:15,625 (at center)

1000 Feet

500 Meters

Local Road
Major Connector
Interstate/Limited Access
US Highway
Exit
Point of Interest
Summit
Park/Reservation
City Park

RESOLUTION 99-19

RESOLUTION AUTHORIZING A *FINAL* LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from the Tenderloin Neighborhood Development Corporation (the "Borrower"), seeking a loan commitment under the Agency's Taxable 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 864 Ellis Street (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 7, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; 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
99-010-N	864 Ellis street San Francisco/San Francisco	25	1,781,250

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 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 99-19 adopted at a duly constituted meeting of the Board of the Agency held on May 26, 1999, at *Burbank,* California.

ATTEST:______________
Secretary

Executive Summary

SPECIAL NEEDS Date: 7-May-99

Project Profile:

Project :	Walter House	*Borrower:*	The Cedars of Marin
Location:	1840 Novato Blvd.		
City:	Novato		
County:	Marin	*Program:*	**Special Needs Lending Program**
Type:	Special Needs Group Home	*CHFA # :*	99-006-N

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$350,000	$50,000
Other Loans	$0	$0
Other Loans	$0	$0
Other Loans	$0	$0
Borrower Contribution	$180,733	$25,819
Other Equity	$0	$0
Other Equity	$0	$0
CHFA Bridge	$0	$0
CHFA HAT	$0	$0

Loan to Value
[illegible]

Loan to Cost
65.9%

Unit Mix:

Type	Site	Number	AMI	Rent	Max Income
Group Home	Bd &Bath	1	Manager		
Group Home	Bedroom	6	50%	$675	$24,000

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Special Needs Lending Program
Walter House Group Home
CHFA Ln. 99-006-N

SUMMARY:

This is a request for a CHFA HAT Loan for a group home for the following project

Marin Walter House Group Home
1840 Novato Blvd., Rear Lot
Novato, CA. 94945
Marin County

LOAN TERMS:

1st Mortgage Amount:	$ 350,000
Interest Rate:	1.00%
Term:	15
Financing:	AGENCY HAT LOAN

SPECIAL NEEDS TERMS:

Interest Subsidy:

The Agency anticipates utilizing available financial resources to reduce the interest rate from 7% to 1 % for the First Mortgage loan. The reduced interest rate is required due to the extremely low income of the developmentally disabled tenants, and the high construction costs in the Marin County.

LOCALITY INVOLVEMENT:

There is no locality involvement.

GAP FUNDING:

The Borrower, The Cedars of Marin (The Cedars) will contribute $180,733 in cash, of which $100,000 is a bequest from the estate of Stephen Walter, and $65,000 are donations made in his memory. The remainder of the funds will come from the Cedar's Future Fund; a fund set up to provide for replacement and remodeling of the Cedar's physical facilities.

SPECIAL NEEDS POPULATION

The residents of the Cedars will all be developmentally disabled adults. Their disabilities will be severe enough to require attended *care.* The ratio of care necessary is one staff person per six *(6)* residents. Staffing is required whenever a resident is physically present in the house. A trained house parent who will perform property management functions and will assist the residents with personal grooming functions will be present at all times residents are in the house. The house parent will have staffing relief on the weekends. During the remaining eight hours per day the residents will be at the Borrower's Ross campus, where the residents will attend the many training and support and social functions organized for them by the Borrower.

SPECIAL NEEDS PROGRAM

Through individually tailored programs, the Cedars provides training in independent living skills, work opportunities, and social and recreational activities. The Cedars operates six formal day activity programs, a transportation service, and numerous special events, activities, and trips for the residents. Programs include:

- The Textile *Art* Center: Begun in 1981, the Textile *Art* Center was the first hand-weaving program for developmentally disabled adults and seniors licensed in the State. It is now a prototype. This is a daytime work service program that includes weaving, animal husbandry, and gardening. It provides training in personal growth, independent living skills, self-advocacy, recreational/leisure, social development, pre-vocational skills, and utilization of community resources.

- The Community Challenges Program: Begun in 1990, this is an adult daytime development program which provides training in maintaining self-care and social skills that enhance participation in the community. Participants are offered concrete life experiences in relation to possible choices.

- The Community Integration Program: Begun in 1994 this program provides individual tutorial assistance for individuals who need short-term safety assistance while in transition.

- Transportation: Begun in 1991, the Cedars provide transportation from to and from the day programs by pre-authorized individual contracts.

- VOCE - Vision, Opportunity, Celebration, and Empowerment: Begun in 1996, The Cedars clients who are members of VOCE participate in a drama therapy company. They have acted in drama workshops in local elementary schools, high schools and nursing homes. The use of expressive arts stimulates positive growth, change and connection as well as enhances communication skills.

Funding For the Residential Program and Support Services

All of the residents will receive $703 in Social Security Income (SSI) monthly. Many of the residents will work up to 10 hours per week and have some earnings, which supplement their SSI income. Because the residents disabilities are severe enough to prevent them from handling their personal finances, the SSI income is typically paid to a family member or trustee, who in turn assigns the funds to The Cedars to pay for the residents room and board. The Cedars assigns thirty percent of the SSI income ($211) to housing costs and the remaining seventy-percent to food and utilities ($492).

In order to supplement the residential housing cost, The Cedars has received six (6) project-based Section 8 certificates from the Marin Housing, the Housing Authority of the County of Marin. There is currently no HUD Fair Market Rent (FMR's) for group homes, which gives Marin Housing the authority to set the rents. The only limitation on the FMR's is that it must be below $713 per unit per month, the current HUD FMR for Studio Apartments, and that it must based upon the actual operating cost of the group home. The Cedars has requested an FMR of $675 per unit per month and the Agency has received a letter from Marin Housing saying that the FMR will be set between $625 and $675 per month. The housing portion of the SSI payment will be subtracted from the FMR rent payment received by The Cedars.

The Cedars will sign a HAP contract with Marin Housing. Marin Housing utilizes Section 8 certificates for this program, and requires that the project meet housing quality standards. The HAP contract has no termination date as long as 1) an income eligible tenant occupies the bedroom and 2) HUD continues to fund the certificate program. The Cedars have received Section 8 rental income from this program for 25 years. However there is no guarantee that HUD will continue to fund the certificate program.

The Agency's final commitment will be conditioned upon the HAP contract being subordinate to the Agency's permanent loan.

Regional Center Support for the Residential Program. In addition SSI income, and the Section 8 certificate income, the project has access to a residential support subsidy of $1977 per resident per month from the Golden Gate Regional Center (GGRC). The Cedars typically uses these funds to pay for the salary of the house parent and for enrichment programs for the residents. However, they have the discretion to utilize part of these funds for residential costs as needed.

Operating costs for both the Residential Program and its Social Service Program are partially paid for through a system of reimbursements created California's Lanterman Act. The Lanterman Act provides entitlement for developmentally, disabled persons in California for "services and supports (which) approximate the pattern of everyday living available to people without disabilities of the same age." The reimbursements are appropriated annually by the state legislature and administered by the Golden Gate Regional Center (GGRC), one of 23 nonprofit centers organized to be intermediaries between the State and service provider agencies.

The GGRC has a long and successful relationship with the Cedar's. The GRCC's director has written the to Agency to indicated their strong support for the Walter House and their intention to provide continued funding for both the residential and training component of the Walter House on a continuing and permanent basis.

The year 2000 level of support for developmentally disabled adults who need attended care at a 1:6 ratio is $1977. The $703 SSI income of the resident is subtracted from the $1977, but the Section 8 income is not. (The benefit of the Section 8 income is that it allows the Cedars to provide additional educational and recreation benefits for the residents). The GRCC also pays the Cedars for training programs for the residents on a vendorized basis.

The Federal Government through the Medicaid waiver program reimburses the State of California for the $1977 per month residential support subsidy when the group home is a licensed facility like the Walter House.

PROJECT AND MARKET AREA:

Market Overview:

The Agency commissioned a single family appraisal report, which was prepared by K. Kendall, and A.M. Crofts dated April 6,1999. Information on the market area was taken from that appraisal report.

The property is located in Novato California, a residential town of 50,000 people in Northern Marin County. Novato has strict growth controls. No new construction is permitted beyond the town limits. Additionally, a local conservancy group has preserved much of the green space within the town as open space. There is a very small inventory of available single family home listings, which has created a strong new home sale and resale market. Most single family homes sell within 5% of their listing prices, and receive multiple offers. Concessions are very limited. The marketing period for single family homes is between 1-3 months.

The subject property is located on Novato Boulevard, in an older residential area of town near downtown Novato. Novato Boulevard is the main arterial from the freeway to the downtown area. The downtown area is residential in character with a mix of mostly single family properties, some multi-family properties, and some commercial properties. The downtown area is within walking distance of the subject property, and includes a shopping mall, the library and a pedestrian-scale-shopping district. The area is served by public transportation.

The property is in a single-family district that is characterized by very large lots. Six properties immediately to the north and east of the subject property have been split in the last several years to accommodate new single-family homes. Most of the houses in the area are older but well maintained. The adjacent streets are in superior condition to Novato Boulevard probably because they are not arterial streets. The subject lot is flat orchard area with a good view of the open-preserved hillside areas. The subject property is being split from a larger 17,000-foot lot. The subject parcel will be 9,449 square feet, and occupies the back half of the property. The remainder of the original lot is developed with a 7-bedroom group home that is owned by a wholly owned subsidiary of The Cedars. The adjacent group home was a single family home that purchased and remodeled into a group home in 1991. It was financed with HUD 202/8 funds. Between the two group homes will be a shared patio area. Both homes will share a common driveway.

Architecturally, the Walter House will blend into the surrounding community and will be handicapped accessible. It will be a 2,926 square foot single-family home with 8 bedrooms (one of which will be an office) and four baths. Six bedrooms and two baths will be available to the residents. There will be a bedroom and bath for the house parent. There will be an office, which will double as a bedroom for the relief house parent, and there will be a guest bathroom. The kitchen, living room and dining room are large and designed to facilitate social interaction. The house will be furnished. The garage is designed so that the van that transports the residents can puli directly into the garage to load and unload residents. The grounds will be well landscaped.

In the appraiser's opinion, the lack of a traditional master bedroom creates a floor plan that is functionally inferior to other new single-family houses. The appraisal value was lowered by $15,000 because of this. It is the appraiser's opinion that the Walter House can be converted into a more traditional single family floor-plate for $15,000. In the event of a foreclosure, or if the Borrower elects to not operate the property as a group home, the property could be either converted into a single family home, or sold to another group home operator.

The Walter House appraised at a market value of between $515,500 and $548,000. Five comparable properties, all of which were slightly smaller, were valued at (and sold at) prices between $539,000 and $587,000.

OCCUPANCY RESTRICTIONS:

CHFA 49% of the units will be restricted to *50%* or less of median income.

HUD: HUD, as a condition of approving the lot split, is requiring a deed restriction limiting the future use to affordable housing. The Agency will require that it be subordinate to the Agency's loan documents.

ARTICLE 34 AUTHORITY

An appropriate Article 34 legal opinion will be required prior to closing.

DEVELOPMENT TEAM

A. The Borrower's Profile

The Cedars of Marin (The Cedars) has been in existence for 80 years. The Cedars started as a boarding school for six developmentally disabled children on a rented farm in Marin County. It was originally a for-profit partnership of two students of Maria Montessori who believed they could apply the Montessori teaching methods to help the developmentally disabled lead productive lives. The Cedars has maintained the same mission of providing quality training and residential care for the developmentally disabled though several different ownership structures over the last 80 years. The Cedars became a non-profit corporation in 1965. The pioneered the concept of group homes, both legislatively and by opening the first such facility in California in the 1960's.

Today the Cedars serve 170 developmentally disabled persons, 130 of who reside in facilities owned and operated by the Cedars. The Cedars is licensed to operate group homes by the State of California, and vendorized to provide services by several state agencies.

The Cedars houses 90 developmentally disabled adults at its headquarters, the Ross Campus in Ross, California. They have been operating this facility since 1919. They were able to purchase it in 1991. They currently operate 6 group homes for 30 developmentally disabled adults. These six group homes have been in operation since 1964, 1968, 1972, 1991, 1991, and 1991 respectively. The group homes all have very small mortgages between $1,000 and $35,000. The Ross Campus has a $688,000 balloon mortgage held by the Low Income Housing Fund, which is due in 2001. Payment of that mortgage is guaranteed by a $2,500,000 endowment held for The Cedars by the

Marin Foundation. A substantial rehabilitation of the Ross Campus is currently in the planning stages.

The Cedars is currently building three new group homes in Novato: the Walter House, and two new 811 projects. The three projects will house 18 developmentally disabled adults, many of whom will transfer from the Ross Campus.

The Cedars also operates a wide-variety of services. Day programs include the Cedars Textile Arts Works Service Program, Community Living Skills, Community Challenge Programs, Community Integration, Transportation and Drama Therapy.

The Cedars current operating budget is $4,300,000. They employ 130 persons. Revenue comes from Supplemental Security Income, the Golden Gate Regional Center, the California Department of Rehabilitation, Tamalpais Adult Education, private placement fees, sales of hand loomed textiles, interest from their endowment and private contributions.

The Cedars will own this project. The Agency will not require that the project be owned by a single asset entity as a condition of the final commitment.

B. Development Consultant.

Katherine Crecelius is a self-employed multifamily residential developer and development consultant. She has been the development consultant for fourteen group homes in Marin and Napa including six build by the Borrower. Her clients include Ecumenical Association for Housing, Serra Residential Center, Innovative Housing, Tenants and Owners Development Council, and Burbank Housing Development Corporation. Ms. Crecelius was the Chief of Field Services (Asset Management) for the CHFA from 1978 until 1981.

C. Architect.

Kodama Diseno is an architectural design firm with 35 years of experience in community based affordable housing design, and public agency architecture and planning. The firm has been involved with over 80 non-profit housing organizations, community groups, and municipalities. The firm has designed six group homes for The Cedars.

D. Management Agent.

The Cedars will self manage the group home. They are a licensed vendor with the State of California and have all of the appropriate licenses, certifications, and staff capabilities to operate a 24-hour facility of this type. They also have the appropriate maintenance, and accounting staff to handle the management of the property, and the required reporting.

E. Contractor

Joseph D. Giorgio and Sons, Inc. is a licensed general contractor based in San Rafael. They have been in business since 1971. They built single family homes, smaller commercial buildings and affordable multifamily projects. Their average job size is $600,000 to $800,000 but they have undertaken construction projects as small as a $4,000 remodel, and as large as a $3,400,000 retirement facility. Their clients include the Petaluma Hospital District, Ecumenical Association for Housing, and Innovative Housing. They are the contractors for all three-group homes the Cedars are currently building in Novato.

Project Summary

Date: 7-May-99

Project Profile:

Project: Walter House
Location: 1840 Novato Blvd.
Novato
County/Zip: Marin 94945
Borrower: The Cedars of Marin
Program: Special Needs Lending Program
CHFA #: 99-006-N

Appraiser: K. Kendall
K. Kendall & A.M. Crofts
Appraisal: Fannia Mae 439 Appraisal
Market $ 525,000
Income: NA
Final Value: $ 525,000

LTC/LTV:
Loan/Cost 65.9%
Loan/Value 66.7%

Project Description:

Bedrooms	7
Handicap Units	6
Bldge Type	New Const.
Buildings	1 Group Home
Stories	1
Gross Sq Ft	3.402
Land Sq Ft	9,449
Units/Acre	32
Total Parking	2
Covered Parking	2

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$350,000	$50,000	1.00%	15
Other Loans	SO	$0		
Borrower Contribution	$180,733	$25,819	-	-
CHFA Bridge	$0	SO	0.00%	
CHFA HAT	$0	$0	0.00%	

Unit Mix:

Type	Indiv. Space	Size	Number	AMI	Rent	Max Income
Group Home	Bd & Bath	400	1	Manager		
Group Home	Bedroom	144	6	50%	$675	$24,000

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$3,500	Cash
Finance Fee	0.00%	of Loan Amount	SO	Cash
Bond Origination Guarantee	0.00%	of Loan Amount	SO	NA
Rent Up Account	0.00%	of Gross Income	$0	Cash
Operating Expense Reserve	10.00%	of Gross Income	$4,860	Cash
Marketing	0.00%	of Gross Income	SO	Cash
Annual Replacement Reserve Deposit	0.00%	of Hard Costs	SO	Operations

Sources and Uses — Walter House

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	350,000	65.95%	102.88	50,000
CHFA Bridge	0	0.00%	-	0
CHFA HAT	0	0.00%	-	0
Total Institutional Financing	**350,000**	65.95%	**102.88**	50,000
Equity Financing				
Borrower Contribution	180,733	94.05%	53.13	25,819
Total Equity Financing	**180,733**	**34.05%**	**53.13**	**25,819**
TOTAL SOURCES	**530,733**	**100.00%**	166.01	75,819

USES:

Acquisition	20,000	3.77%	5.88	2,857
Rehabilitation	0	0.00%	-	0
New Construction	393,786	74.20%	115.75	56,255
Architectual Fees	17,117	3.23%	5.03	2,445
Survey and Engineering	21,255	4.00%	6.25	3,036
Const. Loan Interest & Fees	4,400	0.83%	1.29	629
Permanent Financing	6,000	1.13%	1.76	857
Legal Fees	0	0.00%	-	0
Reserves	4,860	0.92%	1.43	694
contract costs	1,750	0.33%	0.51	250
Construction Contingency	15,140	2.85%	4.45	2,163
Local Fees	13,895	2.62%	4.08	1,985
Other Costs	22,530	4.25%	6.62	3,219
PROJECT COSTS	**520,733**	**98.12%**	**153.07**	74,390
Developer Overhead/Profit	0	0.00%	-	0
Consultant/Processing Agent	10,000	1.88%	2.94	1,429
TOTAL USES	**530,733**	**100.00%**	**156.01**	75,819

Annual Operating Budget Walter House

		% of total	$ per unit
INCOME:			
Total Rental Income	48,600	100.0%	6,943
Laundry	*0*	*0.0%*	-
Other Income	*0*	*0.0%*	-
CommerciaVRetail	*0*	*0.0%*	-
Gross Potential Income (GPI)	48,600	100.0%	6,943
Less:			
Vacancy Loss	2,430	5.0%	347
Total Net Revenue	46,170	95.0%	6,596
EXPENSES:			
Payroll	4,530	10.1%	647
Administrative	6,950	15.4%	993
Utilities	1,800	4.0%	257
Operating and Maintenance	3,950	8.8%	564
Insurance and Business Taxes	2,267	5.0%	324
Taxes and Assessments	370	0.8%	54
Reserve for Replacement Deposits	0	0.0%	-
Subtotal Operating Expenses	19,875	44.2%	2,839
Financial Expenses			
Mortgage Payments (1st loan)	25,137	55.8%	3,591
Total Financial	25,137	55.8%	3,591
Total Project Expenses	45,012	100.0%	6,430

Cash Flow — Walter House — CHFA # 99-006-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Vu12	Year 13	Vu14
Market Rent Increase	N/A	N/A	N/A	N/A	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	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%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	48,600	49,815	51,060	52,337	53,645	54,986	56,361	57,770	59,214	60,695	62,212	63,767	65,362	66,996
TOTAL RENTAL INCOME	48,600	49,815	51,060	52,337	53,645	54,986	56,361	57,770	59,214	60,695	62,212	63,767	65,362	66,996
OTHER INCOME														
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.m	2.00%	2.00%	2.00%	2.00%
Laundry	N/A	N/A	N/A	N/A	WA	N/A	N/A	N/A	N/A	WA	N/A	N/A	N/A	N/A
Other Income	0	N/A	WA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME	48,600	49,815	51,060	52,337	53,645	54,986	56,361	57,770	59,214	60,695	62,212	63,767	65,362	66,996
Vacancy Rate : Market	N/A	N/A	N/A	N/A	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%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	2,430	2,491	2,553	2,617	2,682	2,749	2,818	2,889	2,961	3,035	3,111	3,188	3,268	3,350
EFFECTIVE GROSS INCOME	46,170	47,324	48,507	49,720	50,963	52,237	53,543	54,882	56,254	57,660	59,102	60,579	62,094	63,646
OPERATING EXPENSES														
Annual Expense Increase	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%	4 . m	4.00%
Expenses	10.117	19,882	20,677	21,504	22,364	23,259	24,189	25,156	26,163	27,209	28,298	29,430	30,607	31,831
Replacement Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m	2.00%	2m	2m	2.00%	2.00%
Taxes and Assessments	358	365	372	380	388	395	403	411	419	428	436	445	454	463
TOTAL EXPENSES	19,475	20,247	21,049	21,884	22,752	23,654	24,592	25,568	26,582	27,637	28,734	29,875	31,061	32,294
NET OPERATING INCOME	26,695	27,078	27,458	27,836	28,212	28,583	28,951	29,314	29,672	30,023	30,368	30,704	31,033	31,352
DEBT SERVICE														
CHFA - 1st Mortgage	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137
CHFA - Bridge Loan	0	0	0	0	0									
CHFA - HAT Loan	0	0	0	0	0									
CASH FLOW after debt service	1,558	1,841	2,321	2,700	3,075	3,447	3,814	4,177	4,535	4,886	5,231	5,566	5,896	6,215
DEBT COVERAGE RATIO	1.06	1.08	1.09	1.11	1.12	1.14	1.15	1.17	1.18	1.19	1.21	1.22	1.23	1.25

Cash Flow

RENTAL INCOME	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	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	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%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	68,671	70,387	72,147	73,951	75,799	77,694	79,637	81,628	83,668	85,760	87,904	90,102	92,354	94,663	97,030
TOTAL RENTAL INCOME	68,671	70,387	72,147	73,951	75,799	77,694	79,637	81,628	83,668	85,760	87,904	90,102	92,354	94,663	97,030
OTHER INCOME															
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Laundry	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME	68,671	70,387	72,147	73,951	75,799	77,694	79,637	81,628	83,668	85,760	87,904	90,102	92,354	94,663	97,030
Vacancy Rate : Market	N/A	N/A	N/A	N/A	N/A	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%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	3,434	3,519	3,607	3,698	3,790	3,885	3,982	4,081	4103	4,288	4,395	4,505	4618	4,733	4,851
EFFECTIVE GROSS INCOME	65,237	66,868	68,540	70,253	72,009	73,810	75,655	77,546	79,485	81,472	83,509	85,597	87,737	89,930	92,178
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4m	4m	4m	4m	4 . m	4 . m	4.00%	4.00%	4.00%	4m	4.00%
Expenses	33,104	34,428	35,805	37,238	38,727	40,276	41,887	43,563	45,305	47,118	49,002	50,962	53,001	55,121	57,328
Replacement Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	472	482	491	501	511	522	532	543	553	565	576	587	599	611	623
TOTAL EXPENSES	33,577	34,910	36,297	37,739	39,239	40,798	42,419	44,105	45,859	47,682	49,578	51,550	53,600	55,732	57,949
NET OPERATING INCOME	31,660	31,958	32,243	32,514	32,771	33,012	33,236	33,441	33,626	33,790	33,931	34,047	34,137	34,198	34,229
DEBT SERVICE															
CHFA - 1st Mortgage	25,137	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CHFA - Bridge Loan															
CHFA - HAT Loan															
CASH FLOW after debt service	6,524	31,958	32,243	32,514	32,771	33,012	33,236	33,441	33,626	33,790	33,931	34,047	34,137	34,198	34,229
DEBT COVERAGE RATIO	1.26	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Walter House - Novato(REGIONAL)

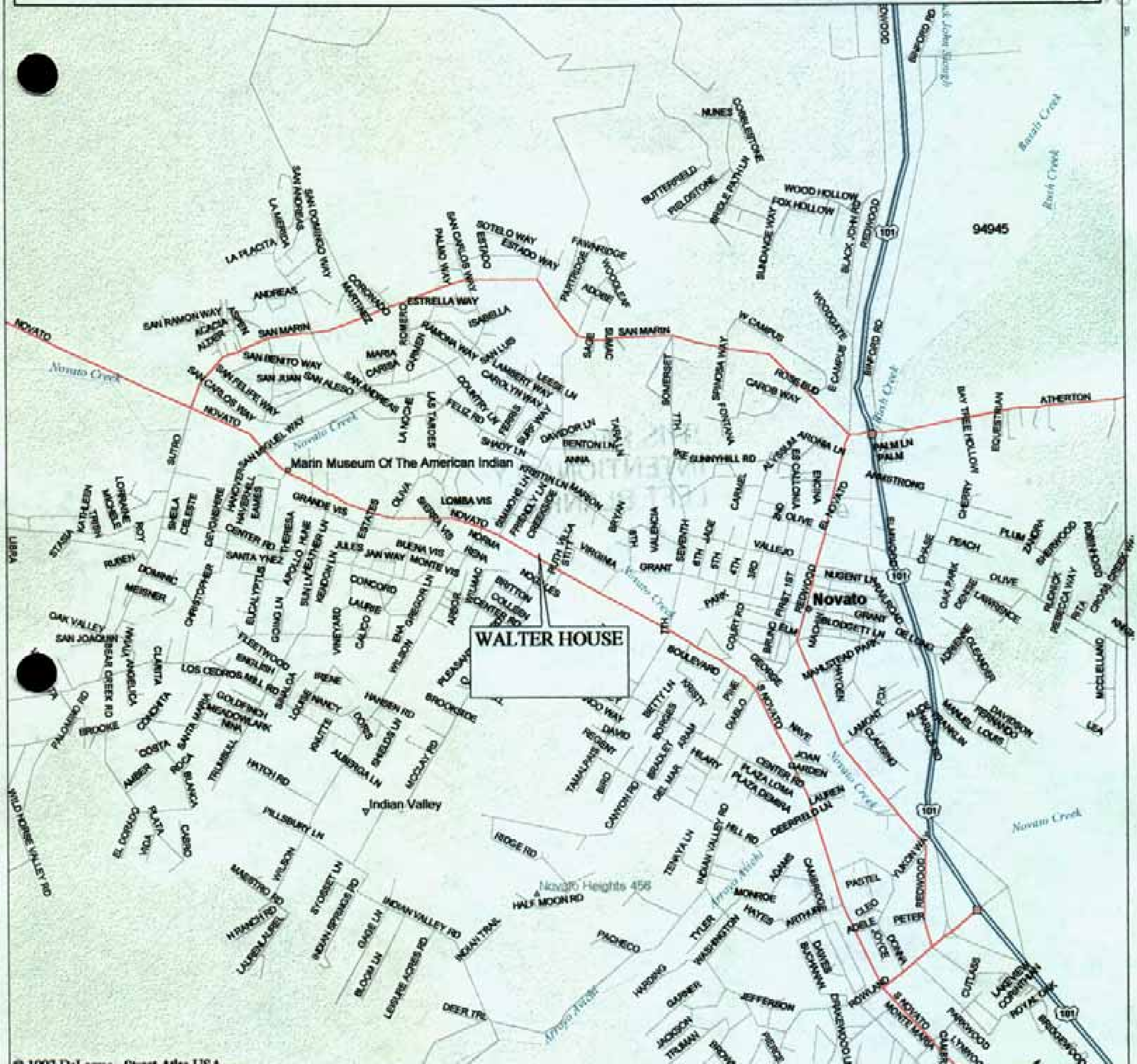
870

Mag 10.00
Wed May 12 12:39 1999
Scale 1:500,000 (at center)
10 Miles
10 KM

	Major Connector		Point of Interest
	State Route		County Seat
	Primary State Route		Small Town
	Interstate/Limited Access		Large City
	Toll Highway		Geographic Feature
	US Highway		Hospital
	Rest Area with facilities		Park/Reservation
	Exit		Exit/Gas

Walter House - Novato(LOCAL)

872



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Mag 14.00
Wed May 12 11:57 1999
Scale 1:31,250 (at center)

2000 Feet

1000 Meters

Local Road
Major Connector
Interstate/Limited Access
Exit
Railroad
Point of Interest
Small Town
Summit
Geographic Feature
Woodland
River/Canal

RESOLUTION 99-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from The Cedars of Marin, 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 Walter House (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 7, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; 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
99-006-N	Walter House Novato/Marin	7	$350,000

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 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 99-20 adopted at a duly constituted meeting of the Board of the Agency held on May 26,1999, at Burbank, California.

ATTEST:________________
Secretary

Executive Summary

Citrus Tree Date: 7-May99

Project Profile:

Project :	citrus Tree	*Borrower:*	**KDF Citrus Tree,** L.P.
Location:	11155 Citrus **Tree**	*Member*	Foundation for **Social** Resources
City:	Ventura	*Member*	KDF Holdings-Citrus Tree, LLC
County:	Ventura	***Program:***	Conduit
Type:	Family	*CHFA#* :	**98-033-S**

Financing Summary:

	Final	Per Unit
CHFA Tax-Exempt	**$3,450,000**	**$42,593**
CHFA Taxable	**$1,260,000**	**$15,556**
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	**$296,254**	**$3,657**
CHFA Taxable	**$0**	**$0**
CHFA HAT	**$0**	**$0**

Loan to Value
65.8%
89.9%

Loan to Cost
54.2%
73.9%

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	1078	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
31.5	1078	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	1078	12	TCAC - 60%	$945	$40,740
		81			

Index:

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Amended Final Commitment
Conduit Financing
Acquisition Rehabilitation

Citrus Tree Apartments
11155 Citrus Drive
Ventura, California 93004
CHFA # 98-033-S

SUMMARY

This is a final commitment request for an additional conduit loan in the amount of One Million Two Hundred Sixty Thousand Dollars ($1,260,000), to fully amortize over thirty (30) years. The monies will be used, via a conduit mortgage, to 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 initially be from the Agency's loan warehousing resources.

In April 1999 the Board of Directors of the California Housing Finance Agency approved a conduit first mortgage loan in the amount of Three Million Four Hundred Fifty Thousand Dollars ($3,450,000) to partially fund a Four Million Seven Hundred Sixteen Thousand Dollar ($4,716,000) first mortgage loan. The source of Agency loan funds will be proceeds from tax-exempt bonds issued by CHFA. ARCS Commercial Mortgage Co., L.P. ("ARCS"), was originally to have provided an additional One Million Two Hundred Sixty Six Thousand dollars ($1,266,000). Subsequent to Agency approval of the tax-exempt funding, the sponsor requested that CHFA fund the additional portion of the mortgage loan as well.

The taxexempt bond proceeds and warehousing resources 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, a Fannie Mae Delegated Underwriter and Servicer ("DUS"). The MBS will guarantee the timely payment of the mortgage loan principal and interest to CHFA. Fannie Mae will issue a separate MBS for both the tax-exempt ($3,450,000) and warehouse ($1,260,000) portions of the Agency loan.

The ARCS loan to Citrus Tree Apartments, will be in the amount of Four Million Seven Hundred Ten Thousand Dollars ($4,710,000). The loan will be evidenced by a note and secured by a deed of trust. To facilitate permanent loan funding, ARCS Commercial Mortgage Co., L.P. will fund an interim bridge loan in the mount of the warehouse portion of the Agency loan to be repaid from the proceeds of the Agency's warehousing line.

The warehousing resources used for the additional funds may be replaced with either recycled tax-exempt bridge loans or other Agency financial resources.

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

.879 Tax credit equity will be funded in three stages. Fifty-five percent (55%) will be funded at permanent loan funding. Twenty-five percent (25%) will be paid upon completion of rehabilitation, with the remaining twenty percent (20%) 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

CHFA – Tax Exempt		**$3,450,000**	
Interest Rate	.650%	Cost of Funds	5.550%
		Fannie Mae	0.475%
		ARCS	0.475%
		Interest Rate	6.500%
Term		Thirty (30) years, fully amortized	
DUS Conduit Lender		ARCS Commercial Mortgage Co., L.P.	
Security for Loan		Fannie Mae Mortgage-Backed Securities	

CHFA – Warehouse Line		**$1,260,000**	
Interest Rate	7.20%	Cost of Funds	6.250%
		Fannie Mae	0.475%
		ARCS	0.475%
		Interest Rate	7.200%
Term		Thirty (30) years, fully amortized	
DUS Conduit Lender		ARCS Commercial Mortgage Co.. L.P.	
Security for Loan		Fannie Mae Mortgage-Backed Securities	

The combined tax-exempt / taxable blended interest rate will be approximately 6.69%

Conduit / MBS Structure

@ The California Housing Finance Agency will issue both tax-exempt and taxable bonds. The tax-exempt bonds will be issued 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 the tax-exempt bond allocation be approximately equal to 80% of the rehabilitated value of the project (as determined by CHFA). The balance of the debt will be in the form of taxable financing. The tax-exempt 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
881 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 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 Pajam Avenue. Citrus Drive is assessable from Wells Road, and Pajam 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 Pajam 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

OCCUPANCY RESTRICTIONS

883

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 taxexempt 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 Securities ("MBS") provides a 100% guarantee of timely payment of interest and principal to the purchasers of the MBS.

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

885

Date: 7-May-99

Project Profile:

Project :	Citrus Tree	*Appraiser:*	Michael B. Posner, MAI
Location:	11155 Citrus Tree		Bristol Realty Counselors
	Ventura	*Cap Rate:*	8.75%
County/Zip:	Ventura 93004	*Market:*	$ 5,240,000
Borrower:	KDF Citrus Tree, LP.	*Income:*	$
Member	Foundation for Social Resource	*Final Value:*	$ 5,240,000
Member	KDF Holdings-Citrus Tree, LL(	*LTC/LTV:*	
		Loan/Cost	54.2%
Program:	Conduit		73.9%
CHFA# :	98-033-S	*Loan/Value*	65.8%
			89.9%

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 Tex-Exempt	[illegible]	$42,593	6.50%	30
CHFA [illegible]	[illegible]	$15,556	7.20%	30
Other Loans	$0	$0	0.00%	30
[illegible]	$0	$0		
[illegible] (tax credits)	[illegible]	$16,836		
Deferred Developer F[illegible]	$296,254	[illegible]		
Developer Equity	$0	$0		
CHFA Taxable				
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
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			

Fees, Escrows and Reserves:

Escrows		Basis of Requirements		Amount	Security
Commitment Fee	Tax-Exempt	0.50%	of Loan Amount	$17,250	Cash
Finance Fee	Tax-Exempt / Taxabl	1.00%	of Loan Amount	$47,100	Cash
Bond Origination Guarantee		1.00%	of Loan Amount	$47,100	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 Tax-Exempt	5,450,000	54.16%	52.82	42,593
CHFA Taxable	1,260,000	19.78%	19.29	15,556
CHFA HAT	0	0.00%	-	0
ARCS	0	0.00%	-	0
Other Loans	0	0.00%	-	0
Other Loans	0	0.00%	-	0
Total Institutional Financing	**4,710,000**	**73.94%**	72.11	58,148
Equity Financing				
LIHTC (taxcredits)	1,363,704			
Deferred Developer's Fee	296,254	4.65%	4.54	3,657
Developer's Equity	-	0.00%	-	0
Total Equity Financing	1,669,958	26.06%	26.41	20,493
TOTAL SOURCES	6,369,958	100.00%	97.62	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	5,486
PROJECT COSTS	6,039,114	94.81%	92.46	74,657
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%**	97.62	78,641

Annual Operating Budget — Citrus Tree

INCOME:

		% of total	$ per unit
Total Rental Income	715,636	99.2%	8,834
Laundry	0	0.0%	-
Other Income	5,939	0.8%	73
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	721,475	100.0%	8,907
Less:			
Vacancy Loss	36,074	5.0%	445
Total Net Revenue	**685,401**	**95.0%**	**8,462**

EXPENSES:

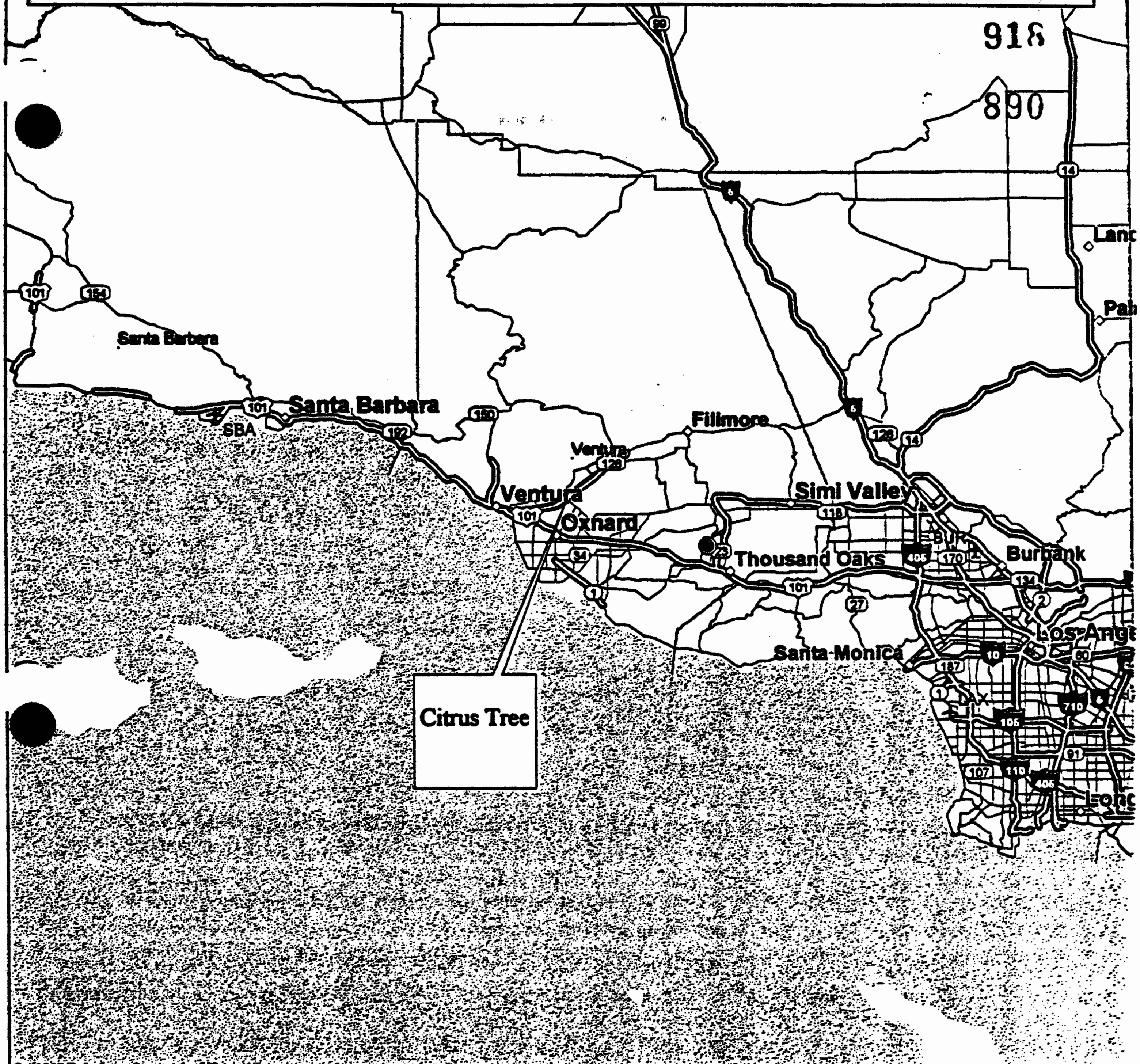
Payroll	31,802	5.4%	393
Administrative	43,506	7.3%	537
Utilities	63,900	10.8%	789
Operating and Maintenance	56,560	9.5%	698
Insurance and Business Taxes	16,700	2.8%	206
Taxes and Assessments	1,273	0.2%	16
Reserve for Replacement Deposits	16,200	2.7%	200
Subtotal Operating Expenses	229,941	38.7%	2,839
Financial Expenses			
Mortgage Payments (1st loan)	364,309	61.3%	4,498
Total Financial	364,309	61.3%	4,498
Total Project Expenses	**594,250**	100.0%	**7,336**

Citrus Tree CHFA # 98-033-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 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%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Affordable Rents	715,536	737,002	759,112	781,886	805,342	829,502	854,387	880,019	906,420	933,612
TOTAL RENTAL INCOME	**715,536**	**737,002**	**759,112**	**781,886**	**805,342**	**829,502**	**854,387**	**880,019**	**906,420**	**933,612**
OTHER INCOME										
Other Income Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Laundry	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Income	5,939	5,939	5,939	5,939	5,939	5,939	5,939	5,939	5,939	5,939
TOTAL OTHER INCOME	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**
GROSS INCOME	**721,475**	**742,941**	**765,051**	**787,825**	**811,281**	**835,441**	**860,326**	**885,958**	**912,359**	**939,551**
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	36,074	37,147	38,253	39,391	40,564	41,772	43,016	44,298	45,618	46,978
EFFECTIVE GROSS INCOME	**685,401**	**705,794**	**726,799**	**748,433**	**770,717**	**793,669**	**817,310**	**841,660**	**866,741**	**892,574**
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	212,468	220,967	229,805	238,998	248,558	258,500	268,840	279,593	290,777	302,408
Replacement Reserve	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200
	2.00%	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,273	1,298	1,324	1,351	1,378	1,405	1,434	1,462	1,492	1,521
TOTAL EXPENSES	**229,941**	**238,465**	**247,330**	**256,549**	**266,135**	**276,105**	**286,473**	**297,256**	**308,469**	**320,130**
NET OPERATING INCOME	**455,460**	**467,329**	**479,469**	**491,885**	**504,582**	**517,564**	**530,837**	**544,404**	**558,272**	**572,444**
DEBT SERVICE										
First Mortgage (tax exempt & t	364,309	364,309	364,309	364,309	364,309	364,309	364,309	364,309	364,309	364,309
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	**61,997**	**54,533**	**115,160**	**127,576**	**140,273**	**153,255**	**166,528**	**180,096**	**193,963**	**208,135**
DEBT COVERAGE RATIO	**1.16**	**1.13**	**1.32**	**1.35**	**1.39**	**1.42**	**1.46**	**1.49**	**1.53**	**1.57**

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	*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%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Affordable Rents	961,621	990,469	1,020,183	1,050,789	1,082,312	1,114,782	1,148,225	1,182,672	1,218,152	1,254,697
TOTAL RENTAL INCOME	**961,621**	**990,469**	**1,020,183**	**1,050,789**	**1,082,312**	**1,114,782**	**1,148,225**	**1,182,672**	**1,218,152**	**1,254,697**
OTHER INCOME										
Other Income Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Laundry	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Income	5,939	5,939	5,939	5,939	5,939	5,939	5,939	5,939	5,939	5,939
TOTAL OTHER INCOME	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**	**5,939**
GROSS INCOME	**967,560**	**996,408**	**1,026,122**	**1,056,728**	**1,088,251**	**1,120,721**	**1,154,164**	**1,188,611**	**1,224,091**	**1,260,636**
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	48,378	49,820	51,306	52,836	54,413	56,036	57,708	59,431	61,205	63,032
EFFECTIVE GROSS INCOME	**919,182**	**946,588**	**974,816**	**1,003,891**	**1,033,839**	**1,064,685**	**1,096,456**	**1,129,180**	**1,162,887**	**1,197,604**
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	314,505	327,085	340,168	353,775	367,926	382,643	397,949	413,867	430,421	447,638
Replacement Reserve	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200
	2.00%	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,552	1,583	1,614	1,647	1,680	1,713	1,748	1,783	1,818	1,855
TOTAL EXPENSES	**332,256**	**344,868**	**357,983**	**371,622**	**385,806**	**400,556**	**415,896**	**431,849**	**448,439**	**465,693**
NET OPERATING INCOME	**586,925**	**601,720**	**616,834**	**632,270**	**648,033**	**664,129**	**680,560**	**697,331**	**714,447**	**731,911**
DEBT SERVICE										
First Mortgage (tax exempt & t	364,309	364,309	364,309	364,309	364,309	364,309	364,309	364,309	364,309	364,309
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	**222,616**	**237,411**	**252,525**	**267,961**	**283,724**	**299,820**	**316,251**	**333,022**	**350,138**	**367,602**
DEBT COVERAGE RATIO	**1.61**	**1.65**	**1.69**	**1.74**	**1.78**	**1.82**	**1.87**	**1.91**	**1.96**	**2.01**

CITRUS TREE APARTMENTS- VENTURA (REGIONAL).



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

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CITRUS TREE APARTMENTS - VENTURA (LOCAL)

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

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RESOLUTION 99-21

RESOLUTION AUTHORIZING AN AMENDMENT TO 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 moxtgage 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 May 7, 1999 (the "Staff Report") recommending Board approval subject to certain recommended term 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 term 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	$1,260,000

Resolution 99-21
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 99-21 adopted at a duly constituted meeting of the Board of the Agency held on May 26, 1999, at Burbank, California.

ATTEST: ______________
Secretary

Executive Summary

Date: 7-May99

Project Profile:

Project :	North Hills	*Borrower:*	KDF North Hills, L.P.
Location:	670 E Imperial Highway	*Member*	Foundation for Social Resources
City:	Fullerton	*Member*	KDF Holdings-North Hills, LLC
County:	orange	*Program:*	Conduit
Type:	Family	*CHFA# :*	98-027-S

Financing Summary:

	Final	Per Unit
CHFA Tax-Exempt	$9,850,000	$48,284
CHFA Taxable	$4,450,000	$21,814
Other Loans	$0	$0
Other Loans	$0	$0
LIHTC (tax credits)	$4,288,916	$21,024
Developer's	$0	$0
Deferred Developer's Fee	$745,164	$3,659
CHFA Taxable	$0	$0
CHFAHAT	$0	$0

Loan to Value
60.7%
88.1%

Loan to Cost
50.9%
74.0%

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			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Amended Final Commitment
Conduit Financing
Acquisition Rehabilitation

898

North Hills Apartments
570 East Imperial Highway
Fullerton, California 92835-1118
CHFA # 98-027-S

SUMMARY

This is a final commitment request for an additional conduit loan in the amount of Four Million Four Hundred Fifty Thousand Dollars ($4,450,000), to fully amortize over thirty (30) years. The monies will be used, via a conduit lender, to 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 initially be from the Agency's loan warehousing resources.

In April 1999 the Board of Directors of the California Housing Finance Agency approved a conduit first mortgage loan in the amount of Nine Million Eight Hundred Fifty Thousand Dollars ($9,850,000) to partially fund a Fourteen Million Three Hundred Thousand Dollar ($14,300,000) first mortgage loan. The source of the Agency loan funds will be proceeds from tax-exempt bonds issued by the California Housing Finance Agency. ARCS Commercial Mortgage Co., L.P. ("ARCS"), was originally to have provided an additional Four Million Four Hundred Fifty Thousand Dollars ($4,450,000). Subsequent to Agency approval of the tax-exempt funding, the sponsor requested that CHFA fund the additional portion of the mortgage loan as well.

The tax-exempt bond proceeds and warehousing resources 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., 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. Fannie Mae will issue a separate MBS for both the taxexempt ($9,850,000) and warehouse ($4,450,000) portions of the Agency loan.

The ARCS loan to North Hills Apartments will be in the amount of Fourteen Million Three Hundred Thousand Dollars ($14,300,000). The loan will be evidenced by a note and secured by a deed of trust. To facilitate permanent loan funding, ARCS Commercial Mortgage Co., L.P. will fund an interim bridge loan in the amount of the warehouse portion of the Agency loan; to be repaid from the proceeds of the Agency's warehousing line.

The warehousing resources used for the additional funds may be replaced with either recycled tax-exempt bridge loans or other Agency financial resources.

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

899 Tax credit equity will be funded in three stages. Fifty-five percent (55%) will be funded at permanent loan funding. Twenty-five percent (25%) will be paid upon completion of rehabilitation, with the remaining twenty percent (20%) 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 - CHFA CONDUIT LOANS

CHFA – Tax-Exempt		**$9,850,000**	
Interest Rate	- 6.50%	Cost of Funds	5.550%
		FNMA	0.475%
		ARCS	0.475%
		Interest Rate	6.500%
Term		**Thirty (30) years, fully amortized**	
DUS Conduit Lender		*ARCS* **Commercial Mortgage** Co., L.P.	
security for Loan		Fannie Mae Mortgage-Backed Securities	

CHFA – Warehouse Line		**$4,450,000**	
Interest Rate	- 7.20%	Cost of Funds	6.250%
		FNMA	0.475%
		ARCS	0.475%
		Interest Rate	7.200%
Term		**Thirty (30) years, fully amortized**	
DUS Conduit Lender		*ARCS* **Commercial** Mortgage *Co.,* L.P.	
Security **for Loan**		Fannie Mae Mortgage-Backed Securities	

The combined tax-exempt / taxable blended interest rate will be approximately 6.72%

CONDUIT TRANSACTION / MBS

Conduit / MBS Structure

The California Housing Finance Agency will issue both tax-exempt and taxable bonds. The tax-exempt bonds will be issued 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 issues with other projects where CHFA is acting as issuer and credit provider. Proceeds from the bond issues 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 the tax-exempt bond allocation be approximately equal to 80% of the rehabilitated value of the project (as determined by CHFA). The balance of the debt will be in the form of taxable financing. The tax-exempt 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 comer 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%.*

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. 902

site

The subject property is **located at 570** East Imperial 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**

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 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 investment 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 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.

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.

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Project Summary

Date: 7-May-99

Project Profile:

Project : North Hills
Location: 670 E Imperial Highway
Fullerton
County/Zip: Orange 92835-1118
Borrower: KDF North Hills, L.P.
Member Foundation for Social Resource
Member KDF Holdings-North Hills, LL(

Program: 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%
74.0%
Loan/Value 60.7%
88.1%

Project Description:

Units	204
Handicap Units	0
Bldge Type	Rehabilitation
Buildings	25
Stories	2
Gross Sq Ft	197,463
Land Sq Ft	895,525
Units/Acre	22
Total Parking	403
Covered Parking	240

Financing Summary:

	Amount	Per unit	Rate	Term
CHF'A Tax-Exempt	$9,850,000	$48,284	6.50%	30
CHF'A Taxable	$4,450,000	$21,814	7.20%	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		
CHFA Taxable				
CHFA HAT				

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	Tax-Exempt	0.50%	of Loan Amount	$49,250	Cash
Finance Fee	Tax-Exempt / Taxabl	1.00%	of Loan Amount	$143,000	Cash
Bond Origination Guarantee		1.00%	of Loan Amount	$143,000	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 — North Hills

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA Tax-Exempt	9,850,000	50.95%	49.88	48,284
CHFA Taxable	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%**	26.49	**24,677**
TOTAL SOURCES	**19,334,080**	**100.00%**	97.91	**94,775**

USES:

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 COST8	18,216,495	**94.22%**	**92.25**	89,297
Developer Overhead / Profit	090,427	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%**	9,824
Less:			
Vacancy Loss	100,206	5.0%	491
Total Net Revenue	1,903,914	**95.0%**	**9,333**
EXPENSES:			
Payroll	108,012	6.6%	529
Administrative	129,501	7.9%	635
Utilities	50,000	3.1%	245
Operating and Maintenance	162,050	9.9%	794
Insurance and Business Taxes	20,400	1.3%	100
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	51,000	3.1%	250
Subtotal Operating **Expenses**	**520,963**	**32.0%**	**2,554**
Financial Expenses			
Mortgage Payments (1st loan)	1,109,580	68.0%	6,439
Total Financial	1,109,580	68.0%	5,439
Total Project Expenses	**1,630,543**	**100.0%**	7,993

North Hills CHFA # 98-027-S

RENTAL INCOME	Year 1	Yeu2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent increase	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Market Rents	NIA	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	1,964,460	2,013,572	2,063,911	2,115,509	2,168,396	2,222,606	2,278,171	2,335,126	2,393,504	2,453,341
TOTAL RENTAL INCOME	1,964,460	2,013,572	2,063,911	2,115,509	2,168,396	2,222,606	2,278,171	2,335,126	2,393,504	2,453,341
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	23,640	24,231	24,837	25,458	26,094	26.746	27,416	28,101	28,803	29,523
Other Income	16,020	16,421	16,831	17,252	17,683	18,125	18,570	19,043	19,519	20,007
TOTAL OTHER INCOME	39,660		41,668	42,709	43,777	44,872	45,993	47,143	48,322	49,530
GROSS INCOME	2,004,120	2,054,223	2,105,579	2,158,218	2,212,174	2,267,478	2,324,165	2,382,269	2,441,826	2,502,871
Vacancy** Rate **: Market	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	6.m	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	100,206	102.711	105,279	107,911	110,609	113.374	116,208	119.113	122091	125,144
EFFECTIVE GROSS **INCOME**	1,903,914	1,951,512	2,000,300	2,050,307	2,101,565	2,154,104	2,207,957	2,263,155	2,319,734	2,377,728
OPERATING EXPENSES										
Annual Expense Increase	4 . m	4.00%	4.00%	4 . m	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	469,963	488,762	508,312	528,644	649,790	671,782	594,653	618,439	643,177	668,904
Replacement Reserve	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m	2 . m	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	520,963	539,762	559,312	579,644	600,790	622,782	645,653	669,439	694,177	719,904
NET OPERATING **INCOME**	1,382,951	1,411,750	1,440,988	1,470,663	1,500,775	1,531,322	1,562,303	1.593.716	1,625,558	1,657,824
DEBT SERVICE										
First Mortgage (tax exempt & t	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580
Rehabilitation ban-Interest Or	70,610	132,632	0	0	0	0	0	0	0	0
CHF'A **- HAT Loan**	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	202,761	169,538	331,408	361,083	391,195	421,742	452,723	484,136	515,978	548,244
DEBT COVERAGE RATIO	1.17	1.14	1.30	1.33	1.35	1.38	1.41	1.44	1.47	1.49

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	*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	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	2,514,675	2,577,542	2,641,980	2,708,030	2,775,731	2,845,124	2,916,252	2,989,158	3,063,887	3,140,484
TOTAL RENTAL INCOME	**2,514,675**	**2,577,542**	**2,641,980**	**2,708,030**	**2,775,731**	**2,845,124**	**2,916,252**	**2,989,158**	**3,063,887**	**3,140,484**
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	30,261	31,018	31,793	32,588	33,403	34,238	35,094	35,971	36,870	37,792
Other Income	20,507	21,020	21,545	22,084	22,636	23,202	23,782	24,376	24,986	25,610
TOTAL OTHER INCOME	**50,768**	**52,037**	**53,338**	**54,672**	**56,039**	**57,440**	**58,875**	**60,347**	**61,856**	**63,402**
GROSS INCOME	**2,565,443**	**2,629,579**	**2,695,319**	**2,762,702**	**2,831,769**	**2,902,563**	**2,975,127**	**3,049,506**	**3,125,743**	**3,203,887**
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	128,272	131,479	134,766	138,135	141,588	145,128	148,756	152,475	156,287	160,194
EFFECTIVE GROSS INCOME	2,437,171	2,498,100	2,560,553	2,624,567	2,690,181	2,757,435	2,826,371	2,897,030	2,969,456	3,043,692
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	695,660	723,486	752,426	782,523	813,824	846,377	880,232	915,441	952,059	990,141
Replacement Reserve	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000
	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	746,660	774,486	803,426	833,523	864,824	897,377	931,232	966,441	1,003,059	1,041,141
NET OPERATING INCOME	1,690,511	1,723,614	1,757,127	1,791,044	1,825,357	1,860,058	1,895,139	1,930,589	1,966,397	2,002,551
DEBT SERVICE										
First Mortgage (tax exempt & t	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580
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	**580,931**	**614,034**	**647,547**	**681,464**	**715,777**	**750,478**	**785,559**	**821,009**	**856,817**	**892,971**
DEBT COVERAGE RATIO	**1.52**	**1.55**	**1.58**	**1.61**	**1.65**	**1.68**	**1.71**	**1.74**	**1.77**	**1.80**

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year28	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*N/A*
Market Rents	NIA	N/A	NIA	NIA	NIA	NIA	N/A	NIA	NIA	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 Rent8	**3,218,996**	**3,299,471**	3,381,958	3,466,607	3,553,170	3,641,999	3,733,049	3,826,375	3,922,035	4,020,085
TOTAL **RENTAL INCOME**	3,218,996	3,299,471	**3,381,958**	3,466,507	3,853,170	**3,641,999**	3,733,049	**3,826,375**	3,922,035	**4,020,085**
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	38,737	39,705	40,698	41,716	42,768	43,827	44,923	46,046	47,197	48.377
Other Income	26,251	**26,907**	27,580	28,269	28,976	29,700	30,443	31,204	31,984	32,783
TOTAL OTHER INCOME	**64,988**	66,612	68,278	69,984	71,734	73,527	75,366	**77,250**	79,181	**81,161**
GROSS INCOME	3,283,984	3,366,084	**3,450,236**	3,536,492	3,624,904	3,715,526	3,808,415	3,903,625	4,001,216	4,101,246
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 . m	5 . m	*5.00%*	*5.00%*
Less: Vacancy Loss	164,199	168,304	172,612	176,825	181.246	185,776	190,421	195,181	200,061	205,062
EFFECTIVE GROSS INCOME	3,119,788	3,197,779	3,277,724	3,359,667	3,443,659	3,529,750	3,617,994	3,708,444	**3,801,155**	3,896,184
OPERATING EXPENSES										
*Annual Expense **Increase***	*4.00%*	*4.00%*	*4.00%*	*4.00%*	4 . m	*4.00%*	*4.00%*	*4.00%*	*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	1,466,661
Replacement Reserve	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000
	2.00%	*2.00%*	*2.00%*	*2.00%*	*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	1,080,747	1,121,937	1,164,774	1,209,325	**1,255,658**	1,303,844	1,353,958	**1,406,077**	**1,460,280**	**1,516,651**
NET OPERATING INCOME	2,039,038	2,075,843	2,112,950	**2, 42**	**2,188,001**	**2,225,906**	**2,264,036**	**2,302,367**	**2,340,875**	**2,379,533**
DEBT SERVICE										
First Mortgage (tax exempt & t	1,109,580	1,109,580	1,109,660	1,109.580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580	1,109,580
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**	**929,458**	**966,263**	1,003,370	1,040,762	1,078,421	1,116,326	**1,154,456**	1,192,787	**1,231,295**	**1,269,953**
DEBT **COVERAGE** RATIO	**1.84**	1.87	**1.90**	**1.94**	**1.97**	2.01	2.04	2.07	2.11	2.14

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NORTH HILLS APARTMENTS - FULLERTON (REGIONAL)

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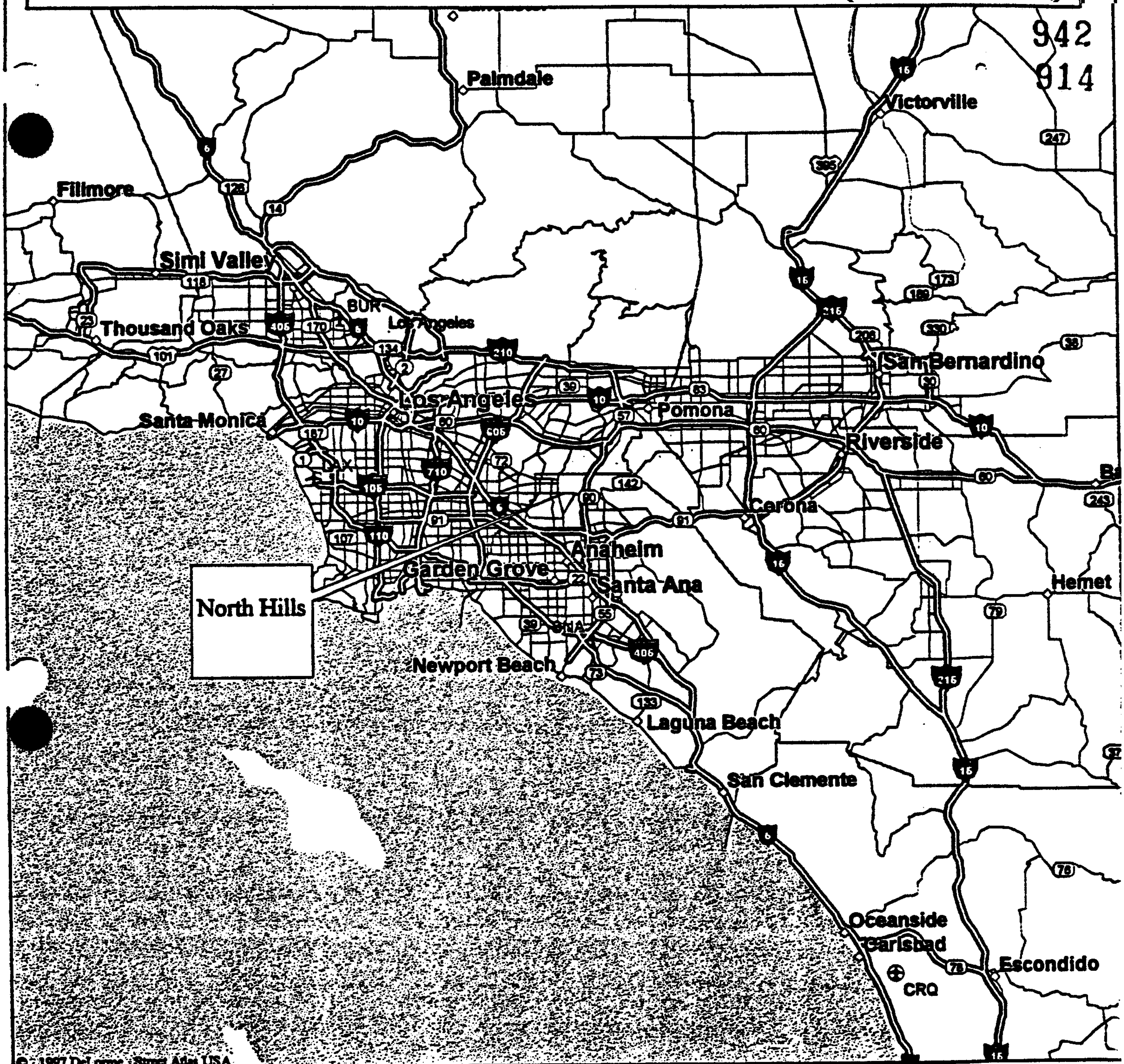

Mag 9.00
Wed Feb 24 10:34 1999
Scale 1:1,000,000 (at center)
20 Miles
20 KM

Major Road
Major Highway
Interstate/Limited Access
Toll Highway
Large City
Mega City
City
Sched Service Airport
Public Airport
County Boundary
Population Center
Land
Water
River/Canal

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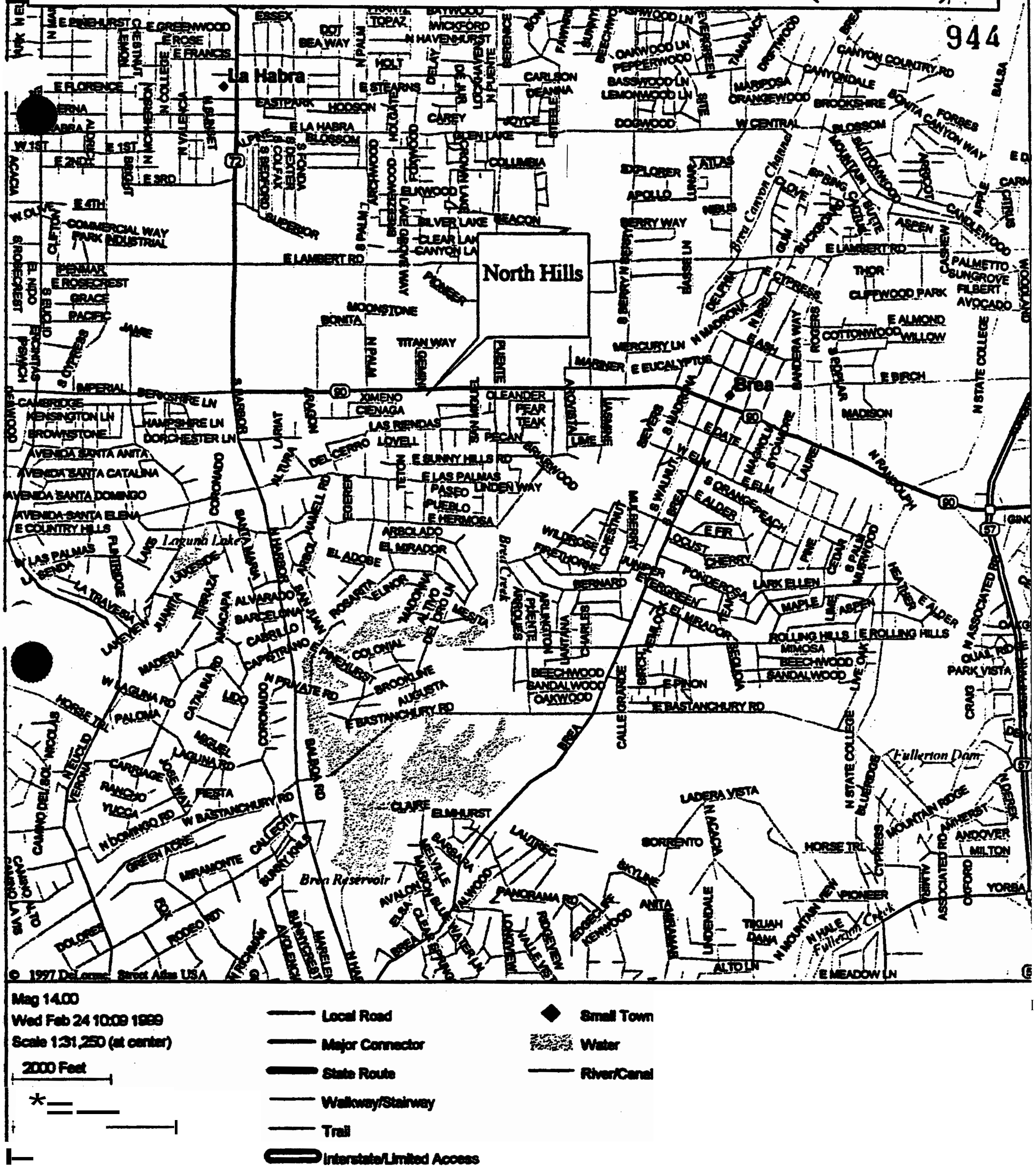
NORTH HILLS APARTMENTS - FULLERTON (LOCAL)



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Wed Feb 24 10:09 1999
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Local Road
Major Connector
State Route
Walkway/Stairway
Trail
Interstate/Limited Access
Railroad
Small Town
Water
River/Canal

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RESOLUTION 99-22

RESOLUTION AUTHORIZING AN AMENDMENT TO 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 May 7, 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	$4,450,000

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 **99-22** adopted at a duly constituted meeting of the Board of the Agency held on May 26, 1999, at **Burbank,** California.

ATTEST:________________
Secretary

State of California

MEMO.RANDUM

To: Board of Directors

Date: May 12, 1999

Theresa A. Parker, Executive Director

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: WDATE TO THE CHFA FIVE-YEAR BUSINESS PLAN
Resolution 99-23

I am very pleased to submit for your consideration the seventh annual CHFA FiveYear Business Plan and a resolution for its adoption. Similar to the previous annual updates, the new plan is intended to be a road map for the Agency to follow in order to carry out the Agency's core mission *to finance below market rate loans to create safe, decent, and affordable rental housing and to assist first-time homebuyers in achieving the dream of home ownership.*

In brief, the updated plan proposes a total of $7.2 billion of housing related economic activity over the next five years. This level of activity includes $5 billion of new single family first mortgages, over $600 million of new multifamily first mortgages, just under $1.2 billion of insurance activity to be initiated by CaHLIF, and over $400 million of other lending designed to complement our mainline activities. New construction to be stimulated over the five year period of the plan is estimated to support the creation of 82,000 jobs.

In order to realize these very ambitious plans, the Agency will continue to maximize the leveraging of its financial resources and of the private activity bond allocation it receives. In addition, we will strive to reach our customer base of very low to moderate income families by promoting greater affordability. We will also continue to provide them with the highest levels of customer service that the Agency can offer.

Development of this year's plan has been another ongoing effort over the last year as we tested the previous year's ideas and strived to improve ways of meeting our goals. Towards this end, we again held discussions, both internal at CHFA and external with our client base, which were very fruitful and have resulted in many of the changes discussed in the text.

The staff of the Agency looks forward to the opportunity to work with the Board of Directors to implement the goals of the proposed new Business Plan.

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CALIFORNIA HOUSING FINANCE AGENCY

FIVE-YEAR BUSINESS PLAN
FISCAL YEARS
1999/2000 TO 2003/2004

FOR PRESENTATION TO THE
BOARD OF DIRECTORS
MAY 26, 1999

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TABLE OF CONTENTS

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CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BUSINESS PLAN
Fiscal Years 1999/00 - 2003104
EXECUTIVE SUMMARY

1999 Business Plan Overview

CHFAs **1099** Business Plan proposes $6.0 billion for lending programs and **$1.2** billion in loan insurance activity for a total of **$7.2** billion for the **1999/00** to **2003104** fiveyear period. This compares with **$7.5** billion proposed for the **five-year** period of the previous Plan. This slight reduction in proposed activity stems from market constraints affecting multifamily lending and mortgage insurance.

The planned level of single family mortgage lending is increased from $900 to $1.0 billion per year for 1999/00 and for the remainder of the five-year plan period, thus increasing the five-year target from $4.5 billion to $5.0 billion. Through the use of recycling, taxable bonds, and other leveraging techniques, the $1.0 billion goal should be attainable in the coming fiscal year with a Private Activity Bond allocation in the $250 million range. Beyond 1999 additional annual allocation will be required as recycling opportunities decline. The addition of the State-funded School Facility Fees Down Payment Assistance Program increases the total goal for the five years by $95 million.

For multifamily lending the **1999/00** goal is **$1**90 million, with a total target of $930 million for the fiveyear period. This latter figure is **$520** million below the previous five-year goal. The downsizing of the proposed funding for the Preservation Loan Program from **$750** million to **$100** million accounts for the reduction from the previous Plan goals.

Total CaHLIF activity in the **1999** Plan is proposed at **$387** million for the **1999/00** fiscal year and **$1.19** billion for the five-year period. This compares to **1998** Plan goals of **$382.5** million in fiscal **1998/99** and **$1.37** billion for the Plan period. The principal reduction is the elimination of the goal of $400 million of PMI-insured loans in the redevelopment agency partnership program. This reduction is due to a production delay as the program will evolve with more newly created features.

Housing Activity to be Stimulated

It is estimated that the new construction activity **($2.5** billion in newly-constructed single family homes and **$350** million in new affordable multifamily rental units) financed under this plan will support the creation of 82,000 **jobs** (Source for multiplier: Construction Industry Research Board). In addition, there will be a significant economic impact resulting from **CHFA's** financing of single family resale homes and multifamily **acquisition/rehabilitation** projects and from CaHLIF's mortgage insurance.

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Plan Purpose

The purpose of this document is to provide the Board of Directors of the California Housing Finance Agency (CHFA) with a proposed business plan (the "Plan") for the next five fiscal years. This Plan provides a comprehensive framework for Board decision-making, guidance to staff, and performance objectives by which to measure the success of programs and the effective use of operating resources in meeting the affordable housing needs in California. As such, the particular housing finance and loan insurance programs recommended in the Pian were formulated in an effort to increase the single and multiiamily affordable housing stock, focus CHFA's resources on Californians at the lowest economic level, maximize CHFA's restricted resources and stimulate the housing-related economy of California.

Background

CHFA was created in 1975 as the State's affordable housing bank. The federal tax exemption available on State-issued debt enabled housing finance capital to be provided at below-market interest rates without adding to the debt burden of State taxpayers. CHFA is empowered to issue debt obligations for a wide variety of housing-related programs, and is also authorized through the California Housing Loan Insurance Fund (CaHLIF) to provide both mortgage and bond insurance.

CHFAs primary purpose and its mission, according to State law, is to meet the housing needs of persons and families of low or moderate income.

CHFA's programs can be divided into three major areas: single family home loan programs (for home ownership), multifamily loan programs (for rental properties) and mortgage loan insurance programs (for single family home loans).

Assumptions Underlying'Ptan Goals

It must be recognized that the levels of activity projected for each program are based on assumptions regarding key factors over which CHFA does not, in many cases, exercise control. The following are some of the key assumptions on which the projections depend: receipt of State allocation of private activity bond issuance authority, continued authorization of the federal tax exemption for housing bonds, continued authorization of the federal multifamily tax credit program, the continued availability of credit enhancement support such as the FHA Risk Sharing Program, ongoing demand from first-time home buyers and rental housing sponsors, continued low and stable rates of interest, and local agency financial participation.

The Agency's programs and its organization are flexible enough to allow CHFA to respond to changing circumstances in revenue projections, programs, and economic conditions and to accommodate unanticipated adjustment of CHFA's priorities.

929 **1998 Business Plan - Progress to Date as of May 1999**

Total Housing Programs currently projected for fiscal 1998199 total $1.1 billion, just under the $1.2 billion proposed in the 1998 Plan. The 1998 Plan goals included $900 million of single family mortgage loans and $262 million in new multifamily loan commitments.

Single family loans will amount to $960 million for the year, almost 7% above the goal. Lower interest rates, full employment and generally favorable economic conditions contributed to the achievement of the high level of single family loans originated.

Multifamily lending is projected to total $133 million for fiscal 1998/99, substantially below the goal of $262 million for the year. The primary reason for not achieving the goal was the lack of success with the Preservation Loan Program. Project owners either made the decision to opt-out and take advantage of more favorable and shorter term conventional market financing and avoid any further government affordable unit regulation, or decided to renew their existing contracts in hopes that HUD would make program adjustments. In either case, there was no interest in our long-term fixed-rate product.

Insurance activity is projected at $215 million in fiscal 1998-99, also well below the goal of $382.5 million in the 1998 Plan. There were favorable results in the program for insuring CHFA Single Family loans. However, there were shortfalls in the conventional mortgage 97% CaHLIF insurance Program, the Reinsured/RDA Program and in the 100% Loan/FHLMC Program.

Organization of Plan

This introduction is followed by the sections described below:

Table I - Planned and Actual Summary, displaying the goals and actual results for for fiscal 1997/98 and the goals and current projections for fiscal 1998/99.
Table II - The 1999 Plan, showing goals by program for each of the years in the Plan period 1999/00 to 2003/04.
Table III - HAT Proarams, providing a compilation of the fiveyear lending goals for the Housing Assistance Trust.

Divisional Summaries Following the three tables are descriptions of how the Plan will be carried out by the CHFA Programs Division and the CHFA Insurance Division (CaHLIF). These are followed by short descriptions of how each of the support divisions of CHFA will assist the Programs Division and CaHLIF in meeting the objectives of the plan.

Financial Summary This final section discusses in detail the restrictions on the Agency's equity, the Agency's equity position as of December 31,1998, and the projected effect of the Plan on the Agency's equity over the five-year Plan period.

CALIFORNIA HOUSING FINANCE AGENCY
1999/00 *to* 2003/04 BUSINESS PLAN
TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions of dollars)

HOUSING PROGRAMS

	FY 1997/98		FY 1998/99		
	Planned	Actual	Planned	Act to 3/31	Projected
SINGLE FAMILY PROGRAMS[a]					
Single Family Mortgage Loans	$700.0	$700.3	$900.0	$783.8	$960.0
SF HAT Programs:					
-Self Help Builder Assistance Program	2.0	0.6	2.0	0.6	0.6
-Single Family Mortgage Assistance	5.0	0.0	5.0	3.4	4.9
TOTAL SINGLE FAMILY PROGRAMS	$707.0	$700.9	$907.0	$787.8	$965.5
MULTIFAMILY[b]					
Tax-Exempt Program					
-New Construction	$140.0	$46.4	$70.0	$52.6	$64.2
-Acquisition/Rehab	30.0	29.0	30.0	14.4	39.9
-Special Needs	0.0	2.5	0.0	1.6	1.6
Taxable Program:					
-New Construction	10.0	0.0	0.0	0.0	0.0
-Special Needs	0.0	0.8	6.0	0.0	2.1
-Housing Preservation	0.0	0.0	100.0	0.0	0.0
Sub-total	$180.0	$78.7	$206.0	$68.6	$107.8
MF HAT Programs:					
-LIHTC Bridge Loan Program	$20.0	$3.4	$5.0	$2.7	$2.7
-State Local MF Affordable	5.0	0.0	5.0	0.0	0.5
-Preservation Subsidy Loan Program	0.0	0.0	15.0	0.5	1.0
-Pre-development Loan Program	2.5	0.0	2.5	0.0	0.3
-Special Needs	20.0	1.3	1.5	0.0	1.3
-HELP	0.0	0.0	20.0	10.0	20.0
-Small Business Development	2.0	0.0	2.0	0.0	0.0
Subtotal	$49.5	$4.7	$51.0	$13.2	$25.8
TOTAL MULTIFAMILY PROGRAMS	$229.5	$83.4	$257.0	$81.8	$133.6
TOTAL HOUSING PROGRAMS	$936.5	$784.3	$1,164.0	$869.6	$1,099.1

(a) Single Family loans purchased
(b) Multifamily bans committed.

CALIFORNIA HOUSING FINANCE AGENCY
1999/00 to 2003/04 BUSINESS PLAN
TABLE I- PLANNED AND ACTUAL SUMMARY
(In millions of dollars)

INSURANCE PROGRAMS

CaHUF Programs	FY 1997/98 Planned	FY 1997/98 Actual	FY 1998/99 Pianned	FY 1998/99 Act to 3/31	FY 1998/99 Projected
CHFA Mortgages	$130.0	$48.9	$65.0	$66.5	$75.0
FHA/CaHLIF Co-Insured	10.0		0.0		
97% CaHLIF Insured Conv.	70.0		50.0		5.0
Reinsured/RDA Loans		15.8	150.0	43.4	75.0
Freddie Mac Affordable Gold 100	200.0		100.0	19.6	60.0
Subtotal, CaHLIF Ins.	$410.0	$64.7	$365.0	$129.5	$215.0
Re-Insured/RDA Loans					
CaHLIF 3% Silent Seconds (WIN)	N/A	N/A	$7.5	$0.0	$0.0
CaHLIF HAT Programs					
-CaHLIF Insured-97% Pledge Pool	$3.0	$4.7	$1.5	$4.7	4.9
-97% Conventional Loans					
RDA/HAT 2% Pool	6.0	0.5	6.0	1.3	1.5
CaHLIF 3% Silent Seconds	N/A	N/A	2.5	0.1	0.3
Subtotal CaHLIF HAT Programs	$9.0	$5.2	$10.0	$6.1	$6.7
TOTAL INSURANCE PROGRAMS	$419.0	$69.9	$382.5	$135.6	$221.7

CALIFORNIA HOUSING FINANCE AGENCY
RVE-YEAR BUSINESS PLAN
Fiscal Years 1999/00 to 2003/04
TABLE II • PLAN SUMMARY
(In millions of dollars)

HOUSING PROGRAMS

	1999/00	2000/01	2001/02	2002/03	2003/04	5 Yr Total
SINGLE FAMILY PROGRAMS[a]						
Single Family Bond Funded Programs						
Single Family Mortgage Program	$1,000.0	$1,000.0	$1,000.0	$1,000.0	$1,000.0	$5,000.0
Single Family HAT Programs						
•Self Help Builder Assistance	2.0	2.0	2.0	2.0	2.0	10.0
-Single Family Mortgage Assistance	5.0	5.0	5.0	5.0	5.0	25.0
Total Single Family HAT Programs	$7.0	$7.0	$7.0	$7.0	$7.0	$35.0
Other Programs Administered by Agency						
School Facility Fees Down Payment Assistance Program	$27.0	$27.0	$27.0	$13.5	$0.0	$94.5
Total Single Family Programs	$1,034.0	$1,034.0	$1,034.0	$1,020.5	$1,007.0	$5,129.5
MULTIFAMILY PROGRAMS[b]						
Bond Financed Programs						
•New Construction	$70.0	$70.0	$70.0	$70.0	$70.0	$350.0
•Acquisition/Rehab	30.0	30.0	30.0	30.0	30.0	150.0
-Special Needs Program	6.0	6.0	6.0	6.0	6.0	30.0
-Housing Presentation	20.0	20.0	20.0	20.0	20.0	100.0
Total Bond Financed Programs	$126.0	$126.0	$126.0	$126.0	$126.0	$630.0
Multifamily HAT Programs						
•LIHTC Bridge Loan Program	$5.0	$5.0	$5.0	$5.0	$5.0	$25.0
state Local MF Affordability Program	5.0	5.0	5.0	5.0	5.0	25.0
•Preservation Subsidy Loan Program	15.0	15.0	15.0	15.0	15.0	75.0
•Pre-Development Loan Program	2.5	2.5	2.5	2.5	2.5	12.5
-Special Needs Program Subsidy	1.5	1.5	1.5	1.5	1.5	7.5
-HELP Program	20.0	20.0	20.0	20.0	20.0	100.0
Small Business Development	2.0	2.0	2.0	2.0	2.0	10.0
Total	$51.0	$51.0	$51.0	$51.0	$51.0	$255.0
Other Programs Administered by the Agency						
•School Facility Fees Rental Assistance Program	$13.0	$13.0	$13.0	$6.5	$0.0	$45.5
Total Multifamily Programs	$190.0	$190.0	$190.0	$183.5	$177.0	$930.5
TOTAL HOUSING **PROGRAMS**	$1,224.0	$1,224.0	$1,224.0	$1,204.0	$1,184.0	$6,060.0

(a) Site family loans purchased
(b) Multifamily final commitments

CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BUSINESS PLAN
Fiscal Years 1999/00 to2003/04
TABLE II - SUMMARY
(In millions of dollars)

INSURANCE PROGRAMS

	1999/00	2000/01	2001/02	2002/03	2003/04	5 Yr Total
CaHLIF insurance Programs						
-CHFA Mortgages	$70.0	$70.0	$70.0	$70.0	$70.0	$350.0
-Reinsured/RDA Loans [a]	150.0	200.0	0.0	0.0	0.0	350.0
-100% Loan/FHLMC	100.0	50.0	50.0	0.0	0.0	200.0
-97% CaHLIF Insured	50.0	50.0	50.0	50.0	50.0	250.0
Subtotal, CaHUF Ins.	$370.0	$370.0	$170.0	$120.0	$120.0	$1,150.0
Re-Insured/RDA Loans						
-CaHLIF 3%Silent Seconds (COIN)@')	4.5	5.5	0.0	0.0	0.0	10.0
Subtotal	$4.5	$5.5	$0.0	$0.0	$0.0	$10.0
CaHUF HAT Programs						
-CaHLIF Insured-97% Pledge Pool [c]	$4.4	$5.6	$0.0	$0.0	$0.0	$10.0
-97% PMI-Insured Loans RDA/HAT 2% Pool [d]	2.5	6.5	0.0	0.0	0.0	9.0
Subtotal	$6.9	$12.1	$0.0	$0.0	$0.0	$19.0
Local Agency Pledges						
-97% PMI Insured Loans/2% Pool [d]	$1.2	$0.0	$0.0	$0.0	$0.0	$1.2
TOTAL INSURANCE PROGRAMS	$382.6	$387.6	$170.0	$120.0	$120.0	$1,180.2

(a) This $350 million will be insured by CaHLIF and, in turn, reinsured by a private insurer. This assumes that a secondary market is available.

(b) $2.5 million *approved* by CHFA Board (3/98) an8 $7.5 million to be borrowed from insurance companies through COIN.

(c) $10 million was previously reserved as a 2% pledge pool from HAT, of which $4.4 million was pledged as of 12/31/98. The $5.6 million balance, combined with recycled funds will comprise $7.5 million of reserves for 97% loans.

(d) The $350 million in RDA 97% loans will be backed by a $10 million CHFA pledge pool. The CHFA pledge assumes 3% of $200 million in high-cost areas and 1% for $400 millii in other areas. The balance of the 3% pledges ($20 million) is assumed to come from RDA's, banks and other participants. CHFA has pledged $3.5 million as of 12/31/98.

CALIFORNIA HOUSING FINANCE AGENCY
Five Year Business Plan - 1999/00 to2003/04
(In millions of dollars)

TABLE III - SUMMARY OF HAT PROGRAMS

	1999/00	2000/01	2001/02	2002/03	2003/04	5 Yr Total	HAT Recycling	Net HAT Investment
Housing HAT Programs								
Single Family HAT Programs								
Self-Help Builder Assistance Program	$2.0	$2.0	$2.0	$2.0	$2.0	$10.0		$10.0
-Single Family Mortgage Assistance	5.0	5.0	5.0	5.0	5.0	25.0		25.0
Total Single Family Programs	$7.0	$7.0	$7.0	$7.0	$7.0	$35.0		$35.0
Multifamily Hat Programs								
-LIHTC Bridge Loan Program	$5.0	$5.0	$5.0	$5.0	$5.0	$25.0	$10.0	$15.0
-State Local MF Affordability Program	5.0	5.0	5.0	5.0	5.0	25.0		25.0
-Preservation Subsidy Loan Program	15.0	15.0	15.0	15.0	15.0	75.0		75.0
-Pre-Development Loan Program	2.5	2.5	2.5	2.5	2.5	12.5	7.5	5.0
-Special Needs Program Subsidy	1.5	1.5	1.5	1.5	1.5	7.5		7.5
Total Multifamily HAT Programs	$29.0	$29.0	$29.0	$29.0	$29.0	$145.0	$17.5	$127.5
Other HAT Programs								
- Housing Enabled by Local Partnerships	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0		$100.0
-Small Business Development	2.0	2.0	2.0	2.0	2.0	10.0	6.0	4.0
Total Other HAT Programs	$22.0	$22.0	$22.0	$22.0	$22.0	110.0		110.0
Total Housing HAT Programs	$58.0	$58.0	$58.0	$58.0	$58.0	$290.0	$23.5	$266.5
CaHUF HAT Programs								
-CaHLIF Insured-97% Pledge Pool	$4.4	$5.8	$0.0	$0.0	$0.0	$10.0		$10.0
RDA/HAT 2% Pool	2.5	6.5	0.0	0.0	0.0	9.0		9.0
-CaHLIF 3% Silent Seconds	4.5	0.0	0.0	0.0	0.0	4.5		4.5
Total CaHLIF HAT Programs	$11.4	$12.1	$0.0	$0.0	$0.0	$23.5		$23.5
Total HAT Programs	$69.4	$70.1	$58.0	$58.0	$58.0	$313.5	$23.5	$290.0

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SINGLE FAMILY PROGRAMS
FISCAL YEARS 1999/00 - 2003104
FIVE-YEAR BUSINESS PLAN

Mission

The mission of Single Family Programs is to provide affordable housing opportunities by offering below-market interest rate mortgage loans to very low-to-moderate income first-time homebuyers. The Program strives to achieve availability of mortgage funds 365 days a year, an equitable geographic distribution of its loans throughout the state, and equal balance between newly constructed and resale homes.

Strategies

In 1999100 and beyond CHFA will continue the following activities designed to further the mission objectives of serving persons and families of very low to moderate income and achieving an equitable statewide distribution of resources:

Income Distribution

- Maintain the Affordable Housing Partnership Program (AHPP), the 100% Loan Program, the Self-Help Builder Assistance Program, the Nonprofit Housing Program, and the Rural Development Leveraged Participation program, all of which primarily serve lower-income borrowers.

- Use income limit restrictions as a means of controlling demand in order to maintain our "open window" year-round lending program.

These strategies should help us increase our service to very low and low income borrowers.

Equitable Distribution of

- Continue targeting designated high-cost areas by means of interest rate differentials and by offering the 100% Loan Program.

- Maintain the statewide network of lending institutions.

- Continue to provide flexible service to the construction, resale and nonprofit and self-help industries through the over-the-counter Single Loan and BLOCK forward commitment process.

- Maintain statewide availability of mortgage monies 365 days a year.

Program **Performance and** Strategy **Implementation**

Following is a list of the major Single Family programs, with the applicable **1998/99** fiscal year and five year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

<u>Bond Funded Programs</u>

Single Family Lending	**7998199** Plan Goal:	**$900** million
	Projected:	**$960** million
	1999100 Plan Goal:	**$1** billion
	Five year Goal:	$5 billion

The current year's business plan set a goal for loan purchase volume of **$900** million with a 50-50 split between newly constructed and existing resale homes while distributing the available resource on an equitable geographic basis. As of March 31, **1999,** the Agency had purchased **6,928** loans for **$783.8** million in the current **fiscal** year, of which **62%** were resale loans and **38%** new construction. **(See** table at the end of this summary for mortgage originations by year.) We are projecting a total loan purchase volume of $960 million for the year.

The new Plan goal of $1 billion in loan purchases represents an increase of $100 million, or 11% above the annual goal of the **1998199** Plan. We anticipate an increase in demand for loans as a result of a combination of below market rate interest rates, favorable economic conditions, and the attraction of the special programs (100% Loan Program, Affordable Housing Partnership Program (AHPP), etc.). The achievement of $1 billion annual loan volume assumes the availability of approximately **$250** million of Private Activity Bond allocation in calendar **1999** and increased amounts (rising to $400 million) by the fifth year.

The need for these additional amounts will be caused by a decline in recycling opportunities over this time period. Recycling of prior tax-exempt authority will begin to decline sharply over the next several years as we begin to experience the full effect of certain federal tax law restrictions first imposed in **1089.** Simply put, loan principal received more than ten years after the issuance of bonds sold in **1989** or later cannot be recycled into new loans.

<u>**Hous**ina Assistance Trust (HAT) Programs</u>

Self Help Builders' Assistance Program **(SHBAP)** Development Loans	**1998/99** Plan Goal:	**$2.0** million
	Projected:	$0.6 million
	1999100 Plan Goal:	**$ 2** million
	Five year Goal:	$10 million

In the current year, CHFA will have committed to close and fund two SHBAP development loans totalling $0.6 million with another application in process with a likely closing in the early part of fiscal year 1999/00. Under SHBAP, homes are built using the mutual self-help approach with families contributing their labor in lieu of a cash downpayment. Development loans are made with HAT funds to non-profit self-help developers for development costs and are repaid through first mortgage loans that are made to participating families from Single Family program funds.

From inception of CHFAs self-help program activities in 1985 through March 31, 1999, CHFA had purchased a total of 1,093 first loans for $66.9 million.

Under the new Plan we will continue to offer the SHBAP Development Loans at the $2 million level annually to assist non-profit developers with maximum $300,000 loans for development costs of qualified self-help projects. In addition, CHFA will continue to provide forward commitments to the non-profits for self-help homebuyers. Some of the projects also provide opportunities to partner with local housing programs.

Single Family Mortgage Assistance Program	1998/99 Plan Goal:	$5 million
	Projected:	$4.9 million
	1999/00 Plan Goal:	$ 5 million
	Five year Goal:	$25 million

In the current year the amount of $5 million was provided as a source of mortgage assistance funds for underserved areas of the state. The loan program, known as the 100% Loan Program, was intended to provide first and second mortgages in a number of high-cost area counties as well as many of the rural counties. As of March 31, 1999, 838 second mortgages had been purchased for a total of $3.4 million with an accompanying $97.6 million of CHFA first mortgages purchased. With the existing pipeline of reserved loans, CHFA expects to purchase another 417 second mortgages for $1.5 million by the end of the current fiscal year.

This year's Plan has continued at $5 million per year for 1999/00. The program, initiated in 1997/98, provides funds for the second mortgage portion of the Agency's 100% Loan Program. The deferred payment second mortgage reduces borrower down payment requirements without increasing monthly loan payments.

New Program Administered by the Agency

School Facility Fees Down Payment Assistance Program	1999/00 Plan Goal:	$ 27 million
	Five Year Goal:	$94.5 million

The School Facility Fee Affordable Housing Assistance Program was part of Senate Bill 50, approved by the Legislature and Governor on August 27, 1998 by the voters as

Proposition 1A on the November 3, 1998 ballot and by the CHFA Board of Directors in January 1999. The assistance programs are funded annually by the Department of General Services. Three of the programs in Proposition 1A are designated for down payment assistance for homebuyers of newly constructed single family residences. These down payment assistance programs assist homebuyers throughout California in three categories: (1) economically distressed areas; (2) affordable homes with a maximum sales price of $110,000; and (3) first-time, low-income homebuyers. The amount of the down payment assistance is calculated using all or part of the school facility fees paid by the builder depending upon the details of each of the three programs. The assistance amount is sent by CHFA to escrow for disbursement on behalf of the homebuyer.

The single family allocation for the remainder of 1998/99 is $13.5 million; for 1999/2000 through 2001/2002, $27 million per year; and $13.5 million for 2002/2003. Any unused residual allocation at the end of each fiscal year will roll over to the following fiscal year until the funds are fully expended. (See also the Multifamily Programs Section for the School Facility Fee Affordable Housing Assistance Rental Program.)

Other Accomplishments - 3998199 Business Plan

Income Distribution - **The average household income of all CHFA borrowers in 1998/99 was $35,267 compared to the statewide average of $39,600.**

Activities during the year designed to further CHFAs mission of targeting very low to low income persons and families included the following:

- Affordable Housina Partnership Proaram This program combines the resources of State and local entities to provide both a locality down payment assistance deferred loan and a significantly lower CHFA first mortgage rate. Local government agencies can target their deferred payment second loans, and therefore the CHFA first loans, to their local revitalization and redevelopment neighborhoods.

  As of March 31, 1999, 3,244 CHFA first loans for $270.6 million had been approved or purchased through this program since inception in March 1995. A total of 98 local government agencies are participating in the Program as of March 31, 1999.

- Rural Development's Leveraaed Participation Proaram In addition to making first mortgages to homebuyers in rural areas through the Section 502 loan program, the federal Rural Development Agency (formerly the Farmers Home Administration) makes amortizing second mortgages for home purchase. Since the inception of the Program in March, 1997, through March 31, 1999, 44 CHFA first loans totaling $1,892,063 had been purchased and were accompanied by Rural Development second mortgages which totalled $2,770,916.

- Nonprofit Housina Proaram CHFA assists nonprofit housing developers in providing housing to lower-income homebuyers through the issuance of forward commitments with favorable fees and interest rates. Some of these developments have also involved partnerships with local governments. From inception of the program in **1985** through March **31,1999,** CHFA had purchased a total of 706 loans for $49.9 million.

Equitable Statewide Distribution of Available Resources Activities during the year designed to achieve this mission objective included the following:

- **increased the penetration in CHFA-designated high-cost areas during this FY through March 31, 1999 to 61.2% from 15% six years ago.** Interest rate differentials and the special program initiatives have proven successful in achieving progress to date.

- Maintained the capability to originate loans statewide through a network of some **38** participating lending institutions. The **38** lenders have approximately 500 branch offices. Participating lenders also have the authority to process loans for purchase by the Agency that were originated by correspondent mortgage companies and/or mortgage brokers, thereby extending the Agency's statewide coverage.

- Completed implementation of the over-the-counter forward commitment process, referred to as the Builder-Lock Program (BLOCK), in October, **1998,** to provide more flexible service to the new construction market. The BLOCK process mirrors the existing Single Loan reservation system. It replaced the semi-annual forward commitment process.

- Maintained statewide availability of mortgage funds 365 days a year. CHFA continues to manage the mortgage resources through a combination of interest rate and income limit adjustments so that mortgage monies are available daily anywhere within California for qualified borrowers.

Diversity of Borrowers The following ethnic mix of borrowers has been achieved, based on loans originated during the **1998-99** fiscal year:

	Percent of Borrowers
Hispanic	**50%**
White	**33%**
African American	**7%**
Asian American	**5%**
Other	**5%**

TOTAL SINGLE FAMILY MORTGAGES
Mortgage Originations
(Fiscal Years)

	Annual Totals		Cumulative Totals	
	Amount	loans	Amount	Loans
1976/1987	--	--	$1,300,784,854	22,531
1987/1988	$530,428,439	6,291	1,831,213,293	28,822
1988/1989	523,465,338	6,735	2,354,678,631	35,557
1989/1990	426,951,898	5,407	2,781,630,529	40,964
199011991	518,292,197	5,946	3,299,922,726	46,910
1991/1992	310,858,475	3,473	3,610,781,201	50,383
199211993	126,734,850	1,369	3,737,516,051	51,752
199311994	167,021,486	1,647	3,904,537,537	53,399
199411995	923,883,551	8,401	4,828,421,088	61,800
1995/1996	656,978,131	6,166	5,485,399,219	67,966
199611997	813,388,000	7,797	6,301,378,000	75,763
199711998	700.313,933	6,522	7,001,691,933	82,285
1998/3-31-99	783,035,801	6,928	7,785,527,814	89,213

Mortgages currently in portfolio (March 31, 1999)	$4,613,669,440	47,480

CAHLIF PROGRAMS
FISCAL YEARS 1999/00 - 2003104
FIVE-YEAR BUSINESS PLAN

Mission

CaHLIF's mission and goal is to insure first-time homebuyer mortgage loans in the California market and to stimulate housing opportunities for the benefit of homeowners. This is accomplished by providing various mortgage insurance products. Consistent with this goal, CaHLIF also seeks to make prudent financial decisions in order to maintain the Agency's fiscal integrity.

CaHLIF is a self-supporting public enterprise fund which operates under CHFA, rather than the California Department of Insurance.

Strategies

In 1999/00 and beyond CaHLIF will continue to focus on high-cost areas, creating new product enhancements for those areas, and focus on the promotion of programs for targeted public employees such as teachers, police and fire fighters.

Program Performance and Strategy Implementation

Following is a list of major CaHLIF programs, with the appropriate 1998/99 fiscal year and five year goals. *Also* is a brief performance history against the current fiscal year goals for the listed programs.

CHFA Mortgages

Single Family CHFA Loans	1998/99 Pian Goal:	$65 million
	Projected:	$75 million
	1999/00 Pian Goal:	$70 million
	Five year Goal:	$350 million

The current year Plan set an insurance goal of $65 million, emphasizing high-cost areas and high loan-to-value ratios. Eighty-eight percent of the loans were originated in high-cost areas and sixty percent were 97% loans, seventy percent of which were used with a CHFA 3% silent second. Seventy-five percent of the loans were below 80% of county or state-wide median incomes. Most of the production occurred in the first half of the year, and we expect a total of $75 million by the end of the fiscal year.

This year's Plan goal of $70 million is a reasonable annual projection based on the previous fiscal year's production. The production level is dependent on CHFAs program size and allocation. Because credit scores are not used in underwriting, acceptable and not unreasonable evaluations can be made for approving CHFA loans.

Conventional Mortgages

Reinsured/RDA Loans	1998/99 Plan Goal:	$150 million
	Projected:	$ 75 million
	1999/00 Plan Goal:	$150 million
	Five year Goal:	$350 million

In the current year we are projecting a total loan volume of $75 million as production continues to grow. Under this program, local redevelopment agencies pledge funds for 5 years to pay losses on 97% loans originated in their jurisdictions. This year twelve redevelopment agencies participated in conjunction with Fannie Mae and Freddie Mac. CHFA has pledged $10 million of HAT funds for those areas not yet participating. Usually, the loans are combined with a CaHLIF 3% silent second loans for 100% financing. Again, high-cost areas are emphasized.

Under the new Plan production is expected to reach $150 million in 1999/00. For a portion of this program, California-based insurance companies are expected to purchase, at a premium, Fannie Mae or Freddie Mac securities backed by CaHLIF-insured loans. The purchase premium paid by the insurance companies, as investors, is used to offset the borrowers' mortgage insurance premium. In last year's fiveyear plan the private mortgage insurers were forecast to have $400 million production in this program. That production is expected to be delayed as the program evolves with more newly created features.

Freddie Mac Affordable Gold 100	1998/99 Plan Goal:	$100 million
	Projected:	$ 60 million
	1999/00 Plan Goal:	$100 million
	Five year Goal:	$200 million

In the current year lenders' production has improved, and we expect $60 million of insurance for the year. This program provides a 100% loan but requires borrowers to have better credit scores than borrowers who make down payments. Forty-one percent of the borrowers have incomes below 80% of median, and fifty-eight percent of the homes being purchased have been in high-cost areas.

Under the new Plan the program is expected to reach the $100 million level as lenders gain experience and become more familiar with 100% lending. The program may extend beyond the current year as indicated by competitive demand at that time.

97% CaHLIF Insured Loans	**1998/99** Plan Goal:	**$50** million
	Projected:	$ 5 million
	1999/00 Plan Goal:	**$50** million
	Five year Goal:	$250 million

As this program is just underway, implementation this spring will result in production in the new fiscal year. This **97%** program has been approved for members of the California Public Employees' Retirement System (CalPERS). Several new initiatives are being explored, especially programs for teachers as well as other employers.

Other Accomplishments

- Sixty-two percent of CaHLIF insured loans were for families below 80% of median income. Fifty-two percent of the loans were made to minorities. Eighty-five percent of the loans were in high-cost counties.
- Closed loan agreement with Allstate Insurance Company to fund silent seconds for $250 million of first mortgage loans.
- Completed agreements with five new redevelopment agencies with an additional five more expected by the end of this fiscal year.
- Closed first security transaction through the California Organized Investor Network (COIN) initiative for $5 million with State Farm Insurance Company. This included a 1% premium price to be returned to borrowers through lower-priced mortgage insurance.
- Local promotion of special adaptations of CaHLIF programs has occurred in three communities with two more expected by the end of the fiscal year. All are efforts in conjunction with Fannie Mae and Freddie Mac.
- Certain below-market-rate loans for homes in San Francisco were ineligible for purchase by Fannie Mae. CaHLIF created a special claims procedure to solve this problem. By partnering with the Mayor's Office of Housing and Fannie Mae, CaHLIF was able to create a secondary market for these loans.
- Sacramento City has created a pledge pool with CaHLIF as a part of Freddie Mac's Alliance Agreement to assist housing in the city with emphasis on employer groups such as the UC Davis Medical Center and the Sacramento Unified School District. The program may be expanded to the housing to be constructed on the Mather Air Force Base property.
- Los Angeles has announced a housing program targeted to police and fire fighters who will purchase homes in the city. CaHLIF's 100% Freddie Mac loans will be featured along with Freddie Mac's "credit repair **97%** loans.

Fiscal Integrity. Activities during the year designed to achieve this mission objective included the following:

- CaHLIF's loss ratio was 55% for the calendar year, down from **87%** in **1997** and 75% in **1996.** The highest private mortgage insurance company loss ratio was 50% in **1998.** CaHLIF's higher loss ratio is related to the higher risk of its portfolio, where 73% of its loans have LTV's of **95%** or greater and **17%** of its loans are for condominiums.
- CaHLIF's Moody's rating was upgraded to "Aa3" stable.
- CaHLIF's S&P rating was confirmed at "A+" strong.
- GAAP net income for **1998** was **$2.3** million.

Table 1 presents summary information, by program, on **CHFAs** assumptions regarding program volume (i.e., number of policies and gross insurance) during the next five fiscal years 1999/00 to 2003/04.

TABLE 1
Projected Fiscal Years 1999100 to 2003104
Business Plan Volume

	Number of Policies	Gross Insurance Written ($ millions)
CaHLIF:		
CHFA/LOCAL PROGRAM	2,800	$ 350
97% Loan	2,000	250
Reinsured/RDA 97%	2,800	350
100% Loan/Freddie Mac	1,600	200
TOTALS	9,200	$1,150
PRIVATELY INSURED:		
CaHLIF 3% Silent Seconds	-	10
HAT and Local Pledaes [1]	-	38
TOTALS	9,200	$1,198

[1] Comprised of CHFA HAT pledges of $10 million for the CaHLIF insured 97% CHFA and conventional loan programs, $10 million for the RDA 97% bans and a $2.5 million from HAT in support of the 100% Loan program in partnership with FNMA. Balance of pools comprised of recycled HAT funds, local RDA funds and other funding participants.

Table 2 summarizes CaHLIF production data and reflects CaHLIF's reported net income per its financial statements since 1988.

TABLE 2

PRODUCTION DATA
1988 - 1998

	Net Income	Total Insured Policies	Total Amount Insured
1988	$ 450,565	207	$17,365,928
1989	1,126,352	2,999	190,706,112
1990	1,284,214	3,787	240,059,162
1991	940,157	3,836	265,899,826
1992	825,180	3,656	272,096,741
1993	394,799	3,188	238,324,464
1994	869,857	4,517	416,726,849
1995	2,051,742	5,788	575,462,372
1996	1,567,126	6,660	680,729,151
1997	207,776	6,907	711,561,505
1998	2,361,603	6,761	709,981,432

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MULTIFAMILY PROGRAMS
FISCAL YEARS 1999/00 - 2003104
FIVE-YEAR BUSINESS PLAN

Mission

The mission of Multifamily Programs is to provide long-term permanent financing with below-market interest rates to high quality rental projects offering significant affordability. The division also pursues the goals of addressing the needs of special housing populations, providing increased affordability and facilitating the general development and preservation of affordable rental projects.

Strategies

In the upcoming fiscal year Multifamily Programs will continue its strategies of increasing rental affordability, providing competitive loan rates and terms, leveraging scarce financial resources, and preserving and/or increasing the affordable housing stock.

Affordability

- Require restricted rents to be set below prevailing market rents and increase affordability for those large projects utilizing significant amounts of public resources.
- Commit Agency resources through specific loan programs as outlined above to achieve increased affordability where practicable.

Competitive Financina and Leveraainq

- Offer below-market rates and terms for bond-financed projects to facilitate high levels of affordability and ensure project viability.
- Continue the efficient delivery of tax-exempt bonds through the Agency's pooled bond issues in conjunction with the Agency's solid credit ratings.
- Utilize tax-exempt bridge loan financing to qualify projects for 4% tax credits, ensure project viability, and offer extended-term bridge loans to obtain increased tax credits
- Recycle bridge loan repayments and leverage private activity bond allocation whenever practicable.

Preservation

- Continue to facilitate the preservation of at-risk housing through the use of 501(c)(3) bonds for qualified non-profit sponsors and a taxable financing program for the acquisition or refinancing of assisted projects. Agency funds will also be employed on a loan-by-loan basis to supplement first mortgage debt for various project and sponsor needs.

Marketing

- Direct Agency resources to actively present rental programs to localities and affordable housing sponsors.

- Utilize focus groups to more effectively direct Agency resources to specific housing needs on the local and state levels.

Program Performance and Strategy Implementation

Following is a list of the major Multifamily programs, with applicable 1998199 fiscal year and five year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

Bond· Proarams

New Construction	1998199 Plan Goal:	$70 million
	Projected:	$64.2 million
	1999100 Plan Goal:	$70 million
	Five Year Goal:	$350 million

Last year's Business Plan called for loan commitment volume of $70 million for new construction projects. The projected current year total of $64.2 million represents 11 projects with all units being restricted to 60% or below of median income. Family projects accounted for 217 units, with the remaining 646 units dedicated to housing seniors.

In this year's Plan bond-funded projects should continue at $70 million per year and will almost exclusively include 4% tax credits as the primary source of equity for new construction loan activity. This program will also employ tax-exempt bridge loans to qualify the projects for the credits and increase the pay-in of tax credit equity by extending the bridge for a term of up to five years. The ability to meet or exceed this goal will be dependent on the availability of private activity bond (PAB) allocation.

Acquisition / Rehabilitation	**1998199** Pian Goal:	**$30** million
	Projected:	**$39.9** million
	1999/00 Plan Goal:	**$30** million
	Five Year Goal:	**$150** Million

The current year's loan commitment volume for acquisition/rehabilitation projects is expected to exceed the Plan goal by approximately **$9.9** million. The loan commitment volume includes two projects with expiring Section 8 contracts representing **214** units. Additionally, five projects in the loan commitment total that were previously market rate are now added to the affordable housing stock. In total, nine projects are projected to receive commitments with **495** units, of which 100% will be restricted to 60% of median income or lower.

In this year's Plan the acquisition/rehabilitation portion of the bond-funded programs is expected to continue at **$30** million per year. Localities and sponsors are pursuing projects that are either currently market rate or with expiring assistance that require various degrees of rehabilitation. As with the new construction program, these projects will utilize the 4% credits in most transactions. Wherever possible, **501(c)(3)** bonds will be employed for acquisition financing and to preserve **PAB** were **tax** credits are not required.

Special Needs	**1998/99** Plan Goal:	**$** 6 million
	Projected:	$ **3.7** million
	1999/00 Plan Goal:	**$6** million
	Five Year Goal:	*$30* million

In the current year due to the highly-subsidized nature of special needs housing and the long development period required, additional commitments to achieve the program's goal did not materialize. The Special Needs Housing Program is designed to provide long-term permanent financing for projects with populations that are "at-risk" and requiring supportive services. The program utilizes Agency funds to subsidize the interest rate as low as **1%.** Generally, the tenants of these projects have incomes of less than 50% of median, necessitating the subsidized interest rate. Three projects are projected to receive final commitments this year.

It is anticipated that projects processed through the system in the current year will result in loans for next year. These projects require significant local, state and federal financial contribution in addition to separate funding sources for the services component of the projects. The permanent loans on these projects will continue to require very low interest rates to ensure project feasibility. The interest rates on these loans will be subsidized by various Agency financial resources. The annual production goal will continue at the $6 million level.

Preservation

1998199 Plan Goal: $100 million
Projected: No Program Activity

1999100 Plan Goal: $20 million
Five Year Goal: $100 million

The current year's Taxable Preservation Program was intended to provide non-bond funds to facilitate the acquisition or refinancing of at-risk housing which were not expected to be subject to HUD's 'Mark-to-Market" program. The lack of loan activity was caused by very active housing markets producing significant competition to the Agency's program to retain the assisted housing. For-profit purchasers actively pursued assisted projects, with plans to terminate the affordable nature of these projects and convert them to market rentals. Many long-term owners of these assisted projects have taken advantage of recent high prices and sold their assets.

In this year's Plan the program will address the need to facilitate the acquisition or refinancing of $20 million of existing assisted projects and, in particular, those with project-based Section 8 contracts. Qualified non-profits may wish to utilize 501(c)(3) bond financing for the acquisition and refinancing of existing assisted projects. These bonds could also be used for the initial acquisition of existing market-rate projects that would ultimately be sold to a tax credit partnership utilizing tax-exempt bonds and 4% tax credits. Loan terms could range from two to three years to 30 years depending on the sponsor's ownership and financing strategy.

Housing Assistance Trust (HAT) Programs

LIHTC Bridge Loan

1998199 Plan Goal: $5 million
Projected: $2.7 million

1999100 Plan Goal: $ 5 million
Five Year Goal: $25 million

In the current fiscal year, $2.7 million in HAT funded loans were committed under the program. The Tax Credit Bridge Loan Program provides HAT funds to leverage tax credit payments up to a five-year period. The additional funds generated by this bridge financing directly benefit the project's financial viability. As discussed above, a significant component of bridge financing is tax-exempt in nature to qualify projects for 4% tax credits.

State/Local MF Affordability	1998/99 Plan Goal:	$5 million
	Projected:	$0.5 million
	1999/00 Plan Goal:	$ 5 million
	Five Year Goal:	$25 million

In the current year $500,000 is intended to be utilized in balancing development budgets by providing second loans at below-market interest rates in conjunction with the CHFA first mortgages. The State/Local Program was designed to provide financing to attain additional affordabitii and assist with high project development costs.

This year's plan will continue at $5 million per year. This program is designed to provide support to projects in two critical areas by providing second mortgage financing. This financing will deepen the existing affordability on projects where local financing is present and provide financial support to meet project costs and make projects viable.

Preservation Subsidy Program	1998/99 Plan Goal:	$15 million
	Projected:	$1 million
	1999100 Plan Goal:	$15 million
	Five Year Goal:	$75 million

In the current year the lack of demand for the preservation financing directly impacted the subsidy program. The Preservation Subsidy Program was intended to supplement the preservation activity. The projected amount of $1.0 million was utilized in conjunction with two tax-exempt loans where the monies will be used to support tenant rents during transition from Section 8 subsidies to tax credit rents.

In this year's Plan the Preservation Subsidy Program is designed to provide support for the refinancing or acquisition of at-risk affordable housing projects. The program would provide monies to bridge the gap during a transition period by maintaining Section 8 contract rents created by a refinancing or acquisition.

Pre-Development Loans	1998/99 Plan Goal:	$2.5 million
	Projected:	$.3 million
	1999/00 Plan Goal:	$2.5 million
	Five Year Goal:	$12.5 million

In the current year $300,000 was loaned out under this program. The Pre-Deveolopment Loan Program was available to qualified non-profit sponsors to assist with acquisition and pre-development costs for rental projects to be financed by the Agency.

This year's Plan will continue to be available at the same levels to qualified non-profit sponsors to assist with the acquisition and predevelopment costs for rental projects to be financed by the Agency. These loans are made available for qualified activities with a maximum single loan amount of $250,000. It is proposed in the Pian to reserve $2.5 million in HAT funds annually.

Special Needs Subsidy	1998/99 Plan Goal:	$1.5 million
	Projected:	$1.3 million
	1999100 Plan Goal:	$1.5 million
	Five Year Goal:	$7.5 million

The Special Needs Subsidy consists of HAT funds necessary to subsidize the interest rate of special needs loans. The projected $1.3 million in the current year represents the amount of subsidy for the ARC project in San Francisco.

It is proposed in the Plan to continue to reserve $1.5 million in HAT funds annually.

Other HAT Proarams

Housing Enabled by Local Pamerships (HELP) Program	1998/99 Plan Goal:	$20 million
	Projected:	$20 million
	1999/00 Pian Goal:	$20 million
	Five Year Goal:	$100 million

The HELP Program was introduced in FY 1998/99 and referred to as the Locality Initiatives Program in the prior Business Plan. The program objective is to provide affordable housing opportunities through program partnerships with local government entities consistent with their affordable housing priorities. It represents both an investment in additional affordable housing units throughout California as well as an investment in new and different working relationships with localities. The initial round of funding has resulted in $10 million of loans to eight localities for affordable housing programs. The second round of $10 million has been announced with applications due by June 11,1999.

Other Accomplishments - 1998/99 Business Plan

The following tables summarize the multi-family accomplishments for the current fiscal year.

SENIOR AND FAMILY PROJECTS
PROJECTED LOAN COMMITMENTS 1998/99

	Senior	Family	Total
Number of Units	852	985	1,837
Number of Projects	9	13	22
Dollar Amount of Loans	$51	$56.8	$107.8

PROJECTED LOAN CLOSINGS 1998/99

	Senior	Family	Total
Number of Units	271	1,855	2,126
Number of Projects	3	15	18
Dollar Amount of Loans	$12	$110.2	$122.2

Affordabiiity

The Agency's multifamily programs continue to provide significant affordability for tenants throughout the state. The table shown below reflects this year's projected activity and its related affordability.

Percent of Committed Units Targeted to Tenants at Various Percentages of Median Income

Percent of Median Income	0 to 40%	41% to 50%	51% to 80%	81% +
Percent of Units	2.6%	28.3%	67.5%	0

Preservation of Assisted Units

The preservation of assisted units presents numerous challenges to the Agency in light of the increasing demand for projects by market-rate owners. In the current fiscal year Multifamily Programs is projected to issue loan commitments on two projects with existing Section 8 rental subsidies. The two projects, representing 214 units, are located in the more active rental markets in the state where many of the assisted developments are converting to market rate. The financial underwriting of the projects allows existing tenants to remain in place during a transition period while rent vouchers or alternative housing can be found. Agency funds, in addition to excess monies derived from the remaining Section 8 rent subsidies, will fund this transition period.

FNMA Conduit Transaction

CHFA and FNMA entered into a transaction that linked the respective strengths of the two organizations to add 285 units of previously unregulated units to the affordable housing stock. The two projects, which will be 100% affordable, are located in Ventura and Orange counties where rents are experiencing significant upward pressure.

The two loans are underwritten, originated, and serviced by a mortgage company designated by FNMA. CHFA is including the resulting FNMA mortgage-backed securities in a larger issue that also includes CHFA-underwritten whole loans. Thus the projects will benefit from CHFAs economies of scale, reduced casts of issuance, and willingness to provide interest rate locks. The sponsor in the two projects also increased the affordability while utilizing only the necessary amount of California's scarce bond authority.

School Facility Fee - Rental Assistance

Multifamily Programs successfully implemented its responsibilities under the Proposition I A mandates for program administration assigned to CHFA. The program has been allocated a total of $52 million over four years[1] including $6.5 million this year, to cover eligible school fee reimbursements and costs of administering this program. The Agency completed the following components for the rental program after receiving input from industry focus groups.

- Designed an in-house database to track the refunding applications for school facility fees and to monitor long-term compliance.
- Developed a set of program guidelines with a simple application package to aid project developers in applying for the refunds.
- Trained existing Agency staff and allocated available resources to develop and implement the program.

(1) State legislation has been introduced to adjust the $52 million in allocations over a five fiscal year period.

V. SUPPORT DIVISIONS

A. MARKETING DIVISION
FISCAL YEARS 1999/00 - 2003/04
FIVE-YEAR BUSINESS PLAN

Mission

The mission of the Marketing Division is to assist in meeting the Agency's production goals by disseminating information about the Agency so as to achieve instant recognition with the general public, Realtors and real estate brokers and salespeople, the building industry, the providers of affordable multifamily housing and the lending community, that the Agency is THE source for mortgage funding for all those Californians seeking affordable housing.

Strategies

The marketing goals for the Agency are as follows: to assist in achieving the maximum mortgage loan output in both single and multifamily relative to bond allocation limits and its Business Plan goals; to make CHFA a household word throughout the state for those in the affordable housing market; to reach out into the high-cost and under-served areas of the state, as well as the economically depressed areas; to promote our multifamily products and streamlined the multifamily underwriting process to nonprofit and for-profit developers and to local governmental agencies; and to expand affordable housing opportunities throughout the state wherever possible.

Program Performance and Strategy Implementation

There were several noteworthy accomplishments this past year. We celebrated the 1,000th CHFA Self-Help Builder Assistance Loan by recognizing the ten families in Clovis who achieved this benchmark in the Agency history. We submitted eleven entries in the National Council of State Housing Agency's Annual Awards for Program Excellence, receiving awards in three categories out of 14, something no other state did. We effectively rolled out **CHFA's** new Down Payment Assistance Program, which provided 100% loans to first-time homebuyers in selected markets. We developed a marketing program to make builders and prospective homebuyers aware of the School Facility Fees Downpayment Assistance Program.

This year CHFA has also participated in three major trade shows thus far with one more the Pacific Coast Builders' Conference that has been scheduled before the end of the fiscal year. All of these trade shows are targeted to increase loan volume in the high-cost under-sewed areas of the state. With the upcoming PCBC, we will embark, for the first time, on the use of electronic attendee card readers, and rather than hand out these materials at the show site, we will be mailing the materials out after the show. This way we are assured that our materials will find their way to the recipients place of business, and it will also expand our mailing list for on-going marketing efforts.

Other tools used in creating a distribution system for our marketing materials include the mail, the CHFA 800 number; direct phone calls and correspondence; lenders, and from our newest marketing conduit, in operation for about two years, the CHFA internet website.

For the new Business Plan, the Agency will continue to utilize every cost-effective marketing tool available to carry out its marketing program, including:

- Taking our marketing message directly to Realtors® with one-on-one meetings with individual listing agents of property in the CHFA affordable range, and in sales meetings at their offices in targeted/ selected areas;
- "CONNECTIONS, a CHFA muttifamily affordable housing newsletter, now published three times a year;
- Single Family and Multifamily consumer information "800 numbers;
- Trade shows, which target Realtors@, and the Building Industry Association, Redevelopment Agencies and other associations of lenders, developers, and public agencies;
- One-on-one personal contact wherever possible with developer/sponsor prospects;
- The Annual Report, as a marketing piece, continues to be a very effective tool in getting our message out.

Some new marketing initiatives which will be underway as this plan goes into effect:

- Emerging Technology -- Increasingly, the Internet (with over 75% of the households in the country now on-line) will play a significant role in the Agency's future Marketing efforts, not only as a conduit for disseminating marketing information about the Agency via CHFAs Website (www.chfa.ca.gov), but perhaps more importantly as a resource to gather market data to assist in targeting our marketing activity:
  - Statewide Multiple Listing Service Access
  - Website Links with CHFA lenders, Realtors®, Builders, and Localities

Everything *cited* above is really on a continuum. To the extent things work well we will use them, and we will continue to be open to the opportunities that technology, outreach, and partnerships open up for us to "broadcast" our message to our targeted audience -- *those* who need affordable housing -- and those who assist them in finding it.

B. ADMINISTRATION DIVISION
FISCAL YEARS 1999/00 - 2003104
FIVE YEAR BUSINESS PLAN

Mission

The Administration Division's primary mission is to facilitate the successful operation of the Agency by providing timely human resources, business services, operating budget administration, facilities and equipment, and effective and innovative information technology support to implement and maintain the Agency's programs.

Strategies

Human Resources will continue to try innovative approaches to attracting and retaining competent staff. The Information Systems Unit (ISU) will focus on non-computer aspects of the Y2K, specifically, the "embedded chip" problem. This involves fax machines, copiers, desk calculators, etc. Additionally, they will be upgrading our Internet "backbone' to increase its speed and efficiency for optimum performance. System refinements will be made to Prop 1A programs. The Lender Access System (LAS) will be enhanced to provide users with the ability to directly update loan reservation information.

Program Performance and Strategy Implementation

Despite market conditions which created challenges for the Human Resources Unit, program objectives were met through the recruitment and selection of well qualified staff. The Culver City field office was moved into newer, more spacious quarters in June 1998. The ISU was able to certify Y2K compliance, after testing was performed on all systems. LAS has been enhanced during the year and, in fact, won an NCSHA Award for Management Innovation. Databases and tracking systems for the new Single Family and Multifamily School Facility Fee Affordable Housing Assistance Programs (Prop 1A) have been completed. Internal use of the internet has been expanded, and CHFAs website (www.chfa.ca.gov) has been improved and expanded. An intranet was established to disseminate to staff the Employee Handbook, Health and Safety information and other items of significance to our employees.

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C. MULTIFAMILY ASSET MANAGEMENT
FISCAL YEARS 1999/00 - 2003/04
FIVE-YEAR BUSINESS P U N

Mission

The mission of the multifamily Asset Management Oivision is to preserve CHFA's affordable housing portfolio by protecting our loans through financial monitoring, workouts, and physical inspections: protecting subsidy funds through occupancy and financial compliance monitoring on behalf of HUD; and protecting CHFAs rights, the owner/agent's rights and tenants' rights through the interpretation of the Regulatory Agreement, the HUD Manual **4350.3,** other HUD directives and State Laws. In addition, the Division will lend helpful, professional, prompt, and timely asset management expertise to CHFA departments, sponsors and property management companies in order to achieve the maximum benefit for the tenants of CHFA developments.

Strategies

- Division is organized in "teams" in both northern and southern California.
- Asset Managers review project operating budgets, audited financial reports, and ongoing project expenditures, including review of funding for capital improvement projects.
- Occupancy Specialists administer the monthly rent subsidy for our Section 8 portfolio and conduct yearly tenant file compliance audits for each project.
- Inspectors perform annual physical inspection of each project's building components, grounds, and individual units. Periodic inspections occur an additional **1-3** times per year as needed.
- Division assists Programs Division during underwriting process by reviewing proposed operating budgets, participating in concept meetings, and assisting during the loan closing process.
- Division participates with HCD and TCAC as part of the Affordable Housing Task Force to coordinate and share ongoing monitoring and compliance responsibilities with other involved State and local agencies.

Program Performance and Strategy Implementation

- Current portfolio of **164** Section **8** projects, **141** non-Section 8 projects
- **160** projects in northern region
- **145** projects in southern region

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D. LEGAL DIVISION
FISCAL YEARS 1999/00 - 2003/04
FIVE-YEAR BUSINESS PLAN

Mission

The primary mission of the Legal Division is to manage the legal affairs of **CHFA** as favorably, economically and expeditiously as possible. The legal affairs of **CHFA** include, but are not limited to, providing legal advice to the Board of Directors, Executive Director and staff in connection with **CHFA** operations; organizing and conducting meetings of the Board of Directors; providing Single Family and Multifamily program support; preparing documents for and closing multifamily program loans; assisting with bond issuances and coordinating with bond counsel; conducting TEFRA hearings; managing litigation including supervising and assisting special litigation counsel; providing advice on legislation affecting **CHFA;** assisting in drafting legislation; preparing contracts; coordinating Statement of Economic Interests/FPPC filings; drafting regulations; and assisting with **CHFAs** reporting requirements. In carrying out these responsibilities the Legal Division guides **CHFA** through a maze of federal, state and local laws which govern its operations.

Strategies

The operations of **CHFA,** as contemplated by this Business Plan, are extensive and increasingly complex and will raise many complex legal issues to be managed by the Legal Division. It is the goal of the Legal Division to continue to respond to requests for legal services by the other Divisions and to continue to obtain favorable, expeditious and economical results. It is also the goal of the Legal Division to proactively seek opportunities to avoid legal problems through anticipation and avoidance techniques.

Program Performance and Strategy Implementation

The Legal Division continues to perform an important supporting role to the other Divisions of **CHFA.** In a real sense, the dramatic successes of the other Divisions, and the fact that those successes have been achieved without significant legal problems, are attributable, to some extent, to the efforts of the Legal Division.

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Mission

The primary focus of the Legislative Division is to ensure that legislation which fosters CHFAs primary purpose, that of providing financing to meet the housing needs of low-to-moderate income families in California, is monitored, tracked, analyzed and enacted into law.

Strategies

The Legislative Division will continue to review, track and analyze legislation affecting affordable housing and housing finance. We will continue to monitor state and federal legislative matters which impact CHFA programs and operations, develop the Agency's policy positions on legislation, and promote the Agency before Congress, the State Legislature and the Governor.

Specifically, the federal division will continue to focus on accelerating the enactment of the increase in the federal Private Activity Bond cap for mortgage revenue bonds and increasing the Low Income Housing Tax Credit cap. In addition, the Division will continue to monitor the effect of legislation and the budget on housing and, in particular, on funding for HUD and FHA programs. The state division will work toward increasing the limit on the maximum amount of debt CHFA may have outstanding, as well as tracking and analyzing legislation concerning the presenration of federally subsidized affordable rental housing. Both divisions will continue to provide Congressional, Senate and Assembly staff with information on CHFA programs and other data and information on affordable housing issues to ensure that the Legislature and Congress are well-informed of the housing needs in California.

Program Perfotmance and Strategy Implementation

The responsibilities of the Legislative Division are divided between two Legislative Directors who focus respectively on state and federal matters.

Last year, the federal division successfully lobbied for a Private Activity Bond cap increase, phased in over five years, beginning with $55 per capita in **2003** and ending with **$75** in **2007.** While we were unable to secure final passage of a measure to increase the Low Income Housing Tax Credit because of limited resource availability, we were able to secure 67 co-sponsors in the Senate (including both Senators from California) and **283** co-sponsors in the House, including **37** from California. This will increase our chances for securing approval this year.

At the State level, we successfully lobbied for an increase in the State Tax Credit allocation from **$35** to **$45** per capita; assisted in drafting language for the School Facilities Bond Act of 1998; and sponsored a Joint Resolution of the State Legislature calling for Congress to pass an increase in the Private Activity Bond cap. The School Facilities Bond Act included $160 million in General Fund monies (appropriated over a four-year period) to provide school fee impact relief for housing developers by providing financial assistance for affordable housing. CHFA will administer this program.

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F. Fiscal Services Division
Fiscal Years 1999/00 - 2003/04
Five-Year Business Plan

Mission

The primary mission of the Fiscal Services Division is to support Agency activities through the receipt and disbursement of financial resources, the safeguarding of Agency assets, the servicing of Agency loans and by recording and reporting on financial matters of the Agency's funds in accordance with professional standards in meeting all federal, state and indenture requirements.

Strategies

The Division will continue to meet the Agency's financial management and reporting needs. Systems and procedures are in place to accommodate the growth in single family and multifamily loan portfolios, the increase in debt issuance and the increase in loan insurance underwriting activity called for in this business plan. The Division continues to provide financial assistance and support to the Agency's lending, insurance and financing activities and is prepared to assume additional loan servicing responsibilities as needed. Emphasis will be placed on integrating automated accounting activities with financial and management reporting systems.

Program Performance and Strategy Implementation

The Division currently accounts for a portfolio of $5.0 billion of loans receivable and $5.8 billion of bonds payable in 166 series under 14 active indentures. In addition, 8,000 loan insurance policies are accounted for with a total loan value of $747 million and there are 5,840 single family first mortgages and 350 multiiamily mortgages being serviced.

During the past year, the Division coordinated the annual financial audits of the Housing Finance Fund and the Housing Loan Insurance Fund. In both instances, reports containing unqualified opinions were issued by our independent auditors. Reviews of the Agency's administration of federal housing assistance payments and our single family in-house loan servicing operation were conducted during the year. No significant findings resulted from these reviews. A biennial performance evaluation of the loan insurance programs administered by CaHLIF was also completed and submitted to the Governor and other elected state officials as required by state statute.

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G. Financing Division
Fiscal Years 1999/00 - 2003104
Five Year Business Plan

Mission

The Financing Division's primary mission is to provide borrowed capital at the lowest cost to finance CHFA programs. The Division is also charged with managing CHFA's outstanding obligations and non-mortgage investments, and making recommendations concerning general financial matters. In carrying out these responsibilities, the Division acts to comply with bond indenture covenants, federal tax law restrictions, and State statutes in addition to satisfying credit rating agency requirements.

Strategies

Over the next five years the Division will need to issue bonds and identify other sources of capital to support a planned $6 billion of single family and multifamily loan production. According to Plan goals, CHFA expects to originate $5 billion of single family mortgages over the five-year plan period. In order to meet this volume goal, the Division will be recommending strategies for the further leveraging of the limited amount of Private Activity Bond allocation. In this regard, the Division will continue to maximize the recycling of previous years' allocations, to invest reserves in Agency loans, and to further take advantage of economic refunding opportunities. In addition, the Division plans to continue lowering the cost of the Agency's debt through the selective issuance of variable rate bonds. It is anticipated that a portion of this variable rate debt will be swapped to a fixed rate or otherwise hedged in the swap market.

In the multifamily arena, CHFA expects to commit over **$630** million of bond-funded multifamily loans over the next five years. To achieve economies of scale, maximize flexibility, and keep its cost of funds low, the Division intends to rely on pooled financings, to pledge the Agency's general obligation, to utilize variablerate financing techniques where appropriate, and to take advantage of opportunities to invest the Agency's reserves in loans.

Program Performance and Strategy Implementation

During fiscal year **1998/99** to date CHFA has sold or remarketed **$995.6** million of bonds, including **$982** million for single family and $13.6 million for the multifamily program. Interest rates for our 30-year tax-exempt bonds ranged from a high of 5.48% to a low of 5.20%. We are continuing to use Private Activity Bond allocation in our single family program more efficiently each year by financing increasing percentages of our loans with taxable bonds. For our five single-family transactions in **1998-99** we have achieved a leveraging ratio of 4.1 to 1. In other words, $1 million of PAB allocation will produce $4.1 million of loans.

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FINANCIAL SUMMARY
FISCAL YEARS 1999/00 - 2003/04
FIVE-YEAR BUSINESS PLAN

OVERVIEW

The purpose of the financial summary is threefold: to present the Agency's equity position as of December 31, **1998,** to describe the projected effect on the Agency's equity of the assumptions made in the Agency's five-year Business Plan, and to provide a detailed description of the factors influencing restriction of the Agency's equity.

DISCUSSION OF EQUITY

"Equity" is synonymous with 'net assets". It is arrived at by applying the Agency's assets against its liabilities at any given point in time. As of December 31, **1998,** the Agency had total assets of **$6.9** billion (comprised primarily of mortgage loans receivable) and total liabilities against those assets of **$6.3** billion (comprised primarily of bond indebtedness). The residual restricted assets of **$635.6** million (Housing Finance Fund) and **$23** million (Housing Loan Insurance Fund) represent the Agency's equity position at December 31, **1998.**

Although the amount of the Agency's total equity is readily identifiable, its liquidity is not. The majorii of the assets underlying the equity are in the form of mortgage loans receivable, and as the following discussion will illustrate, most of the Agency's equity is allocated, or restricted in the form of reserves, for various purposes.

Since the term "reserve" has different meanings in different financial settings, the term may be a misnomer as it relates to the Agency's funds if there is an assumption that the reserves are in excess of the Agency's needs. The Agency's restricted reserves are not surplus moneys as used in the context of State agency fund designations. The Agency's reserves are, instead, designations of funds as required of any private financial institution.

As described in the Agency's **1997198** Annual Report, in the notes to the audited Financial Statements,

> All of the Agency's equity is either restricted, held in trust or designated to meet operating expenses.
>
> Both Restricted by Indenture and Bond Security Reserve reflect the Agency's restricted equity. Pursuant to state statutes, resolutions and indentures, specified amounts of cash, investments and equity must be restricted and reserved. The equity categorized as Restricted by

Indenture represents the indenture restrictions of specific bonds, whereas the Bond Security Reserve category represents equity that is further restricted to fund deficiencies in other bonds, programs or accounts. The Fund maintained all required balances in the loan and bond reserve accounts as of June **30, 1998** and **1997.**

Generally, there are indenture covenants requiring that equity be retained under the lien of each indenture until certain asset coverage tests, as well as cashflow tests, have been met. Other restricted reserves are pledged to meet the Agency's bond and insurance general obligations, continuing program maintenance and ongoing administrative costs.

ALLOCATION Of CHFA EQUITY

The Agency's equity balance is contained within a series of funds and accounts, including bond funds and other types of restricted funds and accounts. Within these funds and accounts, equity has been classified according to the purpose it is intended to serve. These purposes include providing security for current and future bond issues, providing for emergency needs, leveraging restricted reserves for non-bond housing assistance programs, and providing for future operating expenses and financing costs.

CATEGORIZA OF EQUITY

The Agency's equity is allocated into five main restricted reserve categories: Restricted by Indenture, Bond Securii Reserves, Insurance Securii Reserves, Funds Held in Trust, and Operating Requirements. They are described as follows:

Restricted by Indenture

The amount classified as Restricted by Indenture ($370.5 million) includes amounts required to be retained in the various bond indenture funds plus the entire amount of the Supplementary Bond Security Account. This total provides security for the specific bonds to which they are assigned.

Bond Security Reserves and Insurance Security Reserves

To comply with State law, rating agency requirements, credit enhancement agreements, and investor guarantees, the Agency is also required to maintain Bond Security Reserves and Insurance Security Reserves in addition to the above-described Indenture Restricted Reserves.

In addition, as further described in the notes to the financial statements, the Insurance Security Reserve represents a pledge of a portion of the Agency's equity to support the insurance program of **CaHLIF.**

The amount classified as Bond Securii Reserve **($145.3** million), consisting of amounts from the bond indenture funds, the Emergency Reserve Account and the Housing Assistance Trust, provides general support for all bonds of the Agency, including general obligation bonds.

The Agency has no taxing power, and bonds issued by the Agency are not obligations of the State of California. Some Agency bonds are issued as general obligations of the Agency, however, and are payable out of any assets, revenues, or moneys of the Agency, subject only to agreements with the holders of any other obligations of the Agency. This pledge is in addition to that of the specific revenues and assets pledged under the indenture. The Agency has received a Standard & Poor's rating of AA- on its general obligation pledge and a Moody's Investor Service rating of **Aa3.**

The Agency has issued **$988** million of general obligation bonds as of May 20, **1999,** of which **$682** million was outstanding on that date. The Agency has also extended its general obligation pledge to the Federal Housing Administration to reimburse them for 50% of any losses incurred in connection with our loans under the multifamily FHA Risk Share program. In addition, as the Agency moves forward to take advantage of opportunities in the interest rate swap market, it will be pledging its general obligation to its swap counterparties.

The Insurance Security Reserve ($64.5 million) has been established to support the program of the California Housing Loan Insurance Fund. The major portion of this reserve, **$48.5** million, related to CaHLIF-insured Agency loans, is allocated to the bond program for those loans.

While most of the Agency's reserves are contractually restricted as security behind the **$6.3** billion in Agency liabilities and the **$711** million in single family mortgages insured by CaHLIF, other bond and insurance security reserves serve a "dual purpose." These reserves provide the Agency with the resources to meet its capital adequacy requirements, general obligation pledge risk reserves, and operating funds. At the same time, prudent management of these accounts has allowed the CHFA Board to carefully apply them to necessary uses under the Operating Account, Emergency Reserve Account, and the Housing Assistance Trust.

To maintain the necessary security reserves, it is important that these accounts be invested in uses that will preserve principal and generate revenues to the Agency. This is necessary because fee revenues will decline as the bond issues mature, but the administrative and monitoring responsibilities will continue for the up-to-40-year life of the bonds and loans. It is planned that during these later years scheduled draws from the Emergency Reserve Account, Housing Assistance Trust, Operating Reserves and others will be used to support the ongoing bond and loan administrative costs. Accordingly, when these funds are deposited or "invested" in various Agency programs, they are carefully managed to maintain low levels of risk and ultimate liquidity for long-term bond and loan management purposes.

Funds Held in Trust

Funds Held In Trust ($36.2 million) includes the equity of the Rental Housing Construction Program which is administered by the Agency but is a State general fund program. The equity is therefore not available for allocation to Agency purposes. Amounts in this classification also include certain funds related to the federal Section 8 rent subsidy program. These funds are set aside for specific purposes associated with that program.

Operating Requimments

Within the Operating Account the Agency maintains a $16 million operating reserve, equivalent to one year's operating budget, including a $3 million revolving fund for bond financing expenses. The revolving fund serves to provide short-term advances to pay the initial costs of bond issuance, pay for interest rate hedges, and pay other costs of developing bond programs. Such allocations of equity ensure the continued administration of the Agency's programs and also serve to meet rating agency liquidity and capital adequacy requirements.

LOSS PROTECTION

Rating Agency Requirements

The credit rating services (Moody's Investors Service and Standard & Poor's) provide certain quantitative guidance regarding the need for reserves to protect against certain quantifiable risks of loss.

For example, both rating agencies require the Agency to establish reserves for each bond issue, intended to protect the bondholders and the Agency in the event that the actual cashflows associated with a bond issue differ from the cashflows projected at the time of issuance of the bonds. In order to determine the size of the reserves to be established for each issue, the rating agencies analyze the performance of the projected cashflows and assets at the time of bond issuance under a "worst case scenario". The Agency is required to set aside and maintain reserves in an amount necessary to cover any projected cashflow shortfalls under these worst case scenarios. Such reserves represent a direct allocation and restriction of the Agency's equity.

In addition, Standard & Poor's provides certain formulas for determining capital adequacy for its "Top Tier" designation and its issuer, or general obligation, credit rating.

The guidelines Standard & Poor's uses to evaluate housing finance agencies include: number of years issuing bonds, administrative capabilities, investment policy, internal controls, loan portfolio quality, and maintenance of "unrestricted fund balances" (per S&P's definition) equal to 4% of non-AAA bonds outstanding, 2% of which must be liquid.

In order to calculate the Agency's "unrestricted equity" at any point in time, S&P analyzes the Agency's finances to determine the amount of "unrestricted equity" remaining after restricting additional equity to offset any potential risks which have not been addressed to S&P's satisfaction. For example, the Agency's general obligation pledge currently stands behind $682 million of single family and multifamily debt, as well as behind CaHLIF's insurance exposure on its $711 million portfolio. It is anticipated that, during the term of the Plan, the Agency's general obligation ratings will be used to back in excess of $1 billion of additional single family and multifamily debt. In order to maintain S&P's capital adequacy requirement and related Top Tier status, the Agency must resewe equity against these pledges.

These rating agency calculations are very similar to capital adequacy requirements imposed on financial institutions and are necessary for the financial well-being of CHFA as the State's affordable housing bank. In addition other benefits of meeting S&P's requirements include: 1) a higher bond rating than a bond structure alone would allow, resulting in a lower cost of funds, 2) reduced interest expense to the home buyer, 3) establishment of a mortgage insurance program (CaHLIF), 4) elimination of special hazard insurance as a requirement for single family bond issuance, and 5) a reduction or suspension of other credit enhancements on Agency bond issues. The costs of not meeting these requirements include: 1) an increase in the Agency's cost of funds, 2) jeopardizing CaHLIF's Aa3/A+ claims paying ability ratings, 3) jeopardizing ratings on the Agency's currently outstanding single family debt, 4) increased cost of credit enhancement from bond insurers or letter of credit providers, and 5) less favorable terms for new financial agreements.

Financial projections for the five-year period of this business plan indicate that Plan implementation will result in capital adequacy ratios that meet or exceed rating agency requirements in each of the five years. This achievement will continue to support our Top Tier ranking for the plan period.

Loss Protection: Other Prudent Reserves

A portion of !he Agency's equity is restricted to protect the Agency's assets from potential losses due to interest rate risk, natural catastrophes such as earthquakes and floods, risk associated with multifamily administration issues, negative arbitrage, and uncollateralizable investment agreements.

Interest Rate Risk

In the *case* of Single Family Programs, the shortage of private activity bond allocation will require the Agency to rely increasingly on the issuance of taxable bonds to support the desired loan volume. The use of variable rate bonds, whether tax-exempt or taxable, constitutes an opportunity to reduce the Agency's cost of funds, thus reducing the amount of subsidy needed to support taxable bonds or, alternatively, expanding the volume of taxable bonds that can be issued. Currently the Agency has over $300 million of variable rate bonds outstanding, and it is possible that another $300 million may be issued in the 1999/2000 fiscal year.

If the Agency chooses to sell more variable rate bonds, it should set aside reserves to cover the risk of rising rates, the costs of acquiring interest rate hedges, and certain risks related to such hedges. For example, hedges we might enter into to reduce our tax-exempt interest rate risk are likely to leave us exposed to the risk of tax law changes to reduce or eliminate the personal income tax. Another risk would be counterparty failure in connection with an interest rate swap or cap.

Because interest rates could rise, either because the Federal Reserve raises short-term rates or because changes in tax law could reduce the value of the tax exemption, the Agency would need to set aside a substantial reserve against this risk. The Agency may also purchase interest rate caps or swap some or all of our exposure to a fixed rate.

Natural Catastrophes

In order to provide more financing for affordable housing in high-cost areas of the state, the Agency petitioned the rating agencies to allow a higher percentage of single family loans to be made to purchasers of existing condominiums. The rating agencies agreed, but only if the Agency would establish a reserve in an amount equal to 1% of the unpaid principal balance of such loans to effectively insure the loan portfolio against losses in the event of an earthquake. The Agency currently has in its portfolio a total of $616 million of loans for condominiums.

A portion of the Agency's multifamily loan portfolio is insured under an $80 million multifamily earthquake and flood insurance policy which has a 5% deductible and does not provide for loss of income. The Agency has restricted equity to supplement the coverage not provided by the policy.

Project Maintenance

Equity is restricted to protect the Agency from possible losses on multifamily project loans. It should be recognized that the Agency could be called upon at any time to meet certain deficits as a result of maintenance and debt service shortfalls on project loans. Given the size of the Agency's $747 million multifamily loan portfolio, a reserve of $3.0 million is a reasonable protection from late payments, emergency maintenance needs or short-term cashflow shortfalls.

Negative Arbitrage

The Agency expects to be unable to invest the proceeds of taxable bonds at rates equal to its cost of funds. Equity has been resewed to protect the Agency against such negative arbitrage and to ensure the Agency's ability to pay debt service on its bonds outstanding.

Investment Risks

A portion of the Agency's earlier investment agreements do not contain collateralization requirements. During the term of these agreements, the Agency's principal and interest are potentially at risk. The Agency has allocated equity to provide liquidity to meet debt service obligations in the event one or more of these investment agreement providers experiences financial difficulty.

EQUITY ANALYSIS BY FUND AND [illegible]

The [illegible] at [illegible] 31, 1998 was $635.6 million (Housing [illegible]inance Fund) and $23 million [illegible] usi[illegible] Lo[illegible] Insurance Fund) All of this equity is [illegible] per the requirements described previously and as detailed below.

Bond Indenture Equity

As approved by the Board and within rating agency standards, the Agency reinvests and leverages a portion of its restricted equity to support Housing Assistance Trust programs not funded through the use of bond proceeds.

As of December 31, $370.5 million of the Agency's total equity is restricted within the bond indentures. All of the bond indenture equity is subject to the indenture and rating agency requirements described above, and a portion of the bond indenture equity supports the Agency's operating budget.

Although bond indenture equity is subject to indenture, rating agency, operating and bond credit enhancement requirements, portions of such equity may be invested to support other Agency programs. For example, $48.5 million of the restricted equity in the Agency's largest single family program is designated as an "insurance resewe" for the benefit of CaHLIF. This use of restricted equity is appropriately designated because the loans insured by CaHLIF are Agency loans which are assets of this program.

Rental Housing Construction Program

The Rental Housing Construction Program, administered by the Agency, accounts for $7.4 million of the Agency's equity at December 31. This equity is in the form of second mortgages and, as an administered program, is unavailable for Agency reallocation.

Housing Assistance Trust

As of December 31, HAT accounts for $78.8 million of the Agency's total equity. All of the equity in HAT is required to meet general obligation pledges and capital adequacy requirements. While meeting these financial means requirements, the Agency may also invest these funds in support of Agency programs which are not otherwise funded by bond proceeds.

CHFA invests, through HAT, in a number of special lending programs which are targeted to special affordable housing needs in support of the primary Single Family and Multifamily lending programs and in support of the CaHLIF programs. Prudent management consistent with rating agency standards allow CHFA to invest some of its restricted reserves in Agency programs through the Trust and still meet its capital adequacy and reserve requirements. These special HAT programs are discussed in the Single Family and Multifamily Programs sections.

Because some of the new HAT program activities involve recycling of short-term loans, we estimate that approximately $290 million of equity will be needed to support the $313.5 million of identified HAT programs. In some cases, the liquidity for the actual program activity may come from borrowed funds, especially where there are opportunities to borrow in the tax-exempt market to fund HAT lending programs.

The concept of using HAT as a means for making program-related investments of restricted reserves makes HAT ideal as a revolving loan fund for a variety of purposes and programs. Moneys in HAT will be utilized for short- and intermediate-term loan warehousing purposes in support of the Agency's main line lending programs. Examples of these kinds of investments include: (1) warehousing of single family and multifamily loans that await assignment to bond issues; (2) warehousing of permanent multifamily loans: and (3) warehousing of multifamily loan participations that cannot be financed with federally tax-exempt bonds. In the case of examples (2) and (3), the Agency's strategy would be to invest HAT moneys in these loans with the intention of selling them off or securitizing them in the taxable market to make new moneys available for HAT programs as the need arises.

Supplementary Bond Security Account

The statutorily established Supplementary Bond Security Account ("SBSA") accounts for $45.9 million of the Agency's equity at December 31. This equity is subject to many influencing factors such as rating agency requirements, loss protection against interest rate risks, natural catastrophes, and negative arbitrage.

Based on the bonds outstanding to date and estimates of the bonds to be issued and loans to be originated, the Supplementary Bond Security Account will be fully pledged for the duration of the five-year Business Plan.

Emergency Reserve Account

The Emergency Reserve Account (ERA) accounted for **$54.2** million of the Agency's equity at December **31.** The equity within the ERA enables the Agency to meet its rating agency requirements for its general obligation pledges and the maintenance of its capital adequacy requirements. It provides the primary source of loss protection for the Agency's assets and has been reinvested in support of the Agency's insurance programs.

All of the ERA equity and the equity of other accounts backs the Agency's general obligation bond and insurance pledges of **$1.4** billion. The Agency's general obligation will continue to be pledged to provide security for bonds issued to finance single family and multifamily loans and is anticipated to be pledged to interest rate swap counterparties. Liquidity in the ERA is also used for warehousing of both single family and multifamily loans.

All of the equity in the ERA supports the maintenance of the Agency's Top Tier rating agency status and capital adequacy position. The maintenance of these reserve requirements at the levels prescribed by Standard & Poor's is as critical to the Agency's ability to achieve its mission as are the regulatory capital requirements of any other lending institution.

The account has multiple obligations which approximate the account balance of $54.2 million as of December **31, 1998.** The account was established by Board resolution at a minimum of **1%** of mortgages outstanding. As of December **31,** the account balance of **$54.2** million equaled **1.08%** of the unpaid principal balance of loans and 0.93% of bonds payable.

The following describes how the amounts on deposit in the ERA are provisionally allocated to particular contingencies. These allocations are indicated for administrative purposes only and do not represent limitations on the use of the ERA for each contingency category.

California Housing Loan Insurance Fund **$16.0** million

CaHLIF has restricted reserves of **$23** million. The Agency's Five-Year Business Plan has a goal **of** insuring **$1.2** billion in mortgages. The CHFA Board has currently set aside an existing capital reserve of $7.5 million and pledged its support from "reserves otherwise available for such purpose" (Resolution 87-29) for an unspecified level of CaHLIF-insured loan volume. Of the $7.5 million, **$2.85** million has been escrowed to date to meet reinsurer indemnification and escrow requirements. Adoption of previous CaHLIF Business Plans required that reserves be increased to a total of $64.5 million. To the extent that CaHLIF insures Agency loans, this reserve can instead be charged in part to the restricted equity of the corresponding Agency's financing program. Of the total pledged, $48.5 million **is** charged against the restricted equity in the single family bond programs. The balance, $16.0 million, which includes the **$7.5** million pledged as described above, is allocated to non-Agency loans and charged to the Emergency Reserve Account.

This combination of restricted equity and ERA reserves is necessary to meet rating agency requirements and to indemnify CaHLIF's reinsurer (Hannover Ruck) against losses. There is also a potential risk that a catastrophic event could result in a call on CHFA financial resources in excess of the $64.5 million pledge, thereby requiring further Board action to resolve.

General Obligation and Investment Reserves **$27.4** million

CHFA has **$682** million in outstanding bonds that are backed by CHFA's general obligation (not the State's) in addition to credit enhancement (bond insurance or letters of credit). The rating agencies use the shortfall resulting from the worst case cashflows on our general obligation bonds as a charge against equity. CHFA maintains a liquidity reserve for part of this requirement in the ERA. The balance of the reserves is applied from other sources such as HAT loans and various bond issues. The reserve is available in the event that the Agency is called upon to make advances to general obligation bond programs to pay debt service or to reimburse the bond insurer or LOC provider for losses. The reserve is also available for protection against potential losses from interest rate fluctuations and from counterparty failure related to interest rate swaps or other hedge instruments. One use of the Emergency Reserve in this regard is the provision of an interest rate cap to **$30** million of CHFA floating-rate single family bonds issued this fiscal year. Under this internal agreement, the Emergency Reserve Account will be drawn on to pay any interest costs in excess of 7 percent. Use of this technique of transferring interest rate risk from our bond programs to the Emergency Reserve Account may be expanded in the future.

CHFA's bond issues create capital in the form of proceeds for the purchase of mortgages. These proceeds are, for the most part, invested with highquality financial institutions with whom we enter into fixed-rate investment agreements. During the term of these agreements, principal and interest are at risk, especially from certain early investment agreements which do not contain collateralization requirements. A portion of the ERA is allocated to provide liquidity to meet debt service obligations in the event of financial difficulties with an investment agreement until such time as the funds can be withdrawn from the investment accounts. The total amount invested under the terms of early investment agreements that do not contain collateralization requirements was $**108** million as of June **30, 1998.**

Self-Insured Earthquake Coverage ***$7.8*** million

To provide affordable single family housing in high-cost regions of the State, CHFA petitioned the rating agencies to allow a higher percentage of loans to be made for purchasers of existing condos. The rating agencies agreed, but only if the Agency established a non-bond reserve of 1% of the loan amount for all existing condo loans made in earthquake zone areas. The Agency has a total of $616 million of loans on condos in its portfolio. In addition, many newly-constructed condominiums are financed by CHFA even though they are unable to obtain earthquake coverage. The Agency also reserves 1% of each resale condo's loan amount in the Supplementary Reserve Account for $2.4 million.

The Agency has also obtained earthquake and flood insurance for its multifamily portfolio with a 5% deductible. If called upon, the deductible of $4 million (calculated on the probable maximum loss of $80 million) is available in this account.

Asset Management Project Administration . ***$3.0*** million

Various multifamily properties may have maintenance and debt service shortfalls due to a variety of factors. The Agency has been called upon at any time to meet certain funding needs (i.e., property taxes, utilities, workouts, etc.). A reserve of *$3.0* million is a reasonable liquidity amount given the size of the Agency's growing multifamily loan portfolio, now totaling $747 million of unpaid principal balance.

Operating Account

The Operating Account accounts for $19.1 million of the Agency's equity at December 31. This equity is restricted for meeting the Agency's capital adequacy and general obligation requirements, as well as funding the Agency's operating budget and financing reserves.

EFFEC OF FIVE- BUSINESS PIAN ON AGENCY EQUITY

Introduction

Cashflow analyses of the Agency's bond programs are independently prepared by an investment bank for the purpose of determining the financial strength of these programs. While these cashflow analyses are prepared primarily for review by the credit rating agencies, they are also used by the Agency to analyze the current equity position of any program and to forecast future net revenues. Applying the factors influencing restrictions of the Agency's equity, the resulting analysis quantified the amount of restricted equity which could be reinvested in support of new or expanded programs as described in the Business Plan and projected the timing of such reinvestment opportunities.

Major Assumptions Underlying the Five-Year Business Plan

Implementation of the five-year Business Plan as presented in this summary is dependent upon realization of the underlying assumptions. The plan is intended, however, to remain flexible in the event that actual events differ from these assumptions.

The major assumptions underlying the plan are as follows: receipt of State allocation of private activity bond issuance authority, continued authorization of the federal tax exemption for single family bonds, continued low and stable interest rates, continued authorization of the federal muttifamily tax credit program, ongoing demand from first-time home buyers, receptiveness in the marketplace to CaHLIF's program innovations, and local agency financial participation.

Major programmatic assumptions underlying **the** Pian include **the** following:

1. Origination of $5 billion of new single family mortgages to be financed with a combination of tax-exempt and taxable bonds in approximately equal proportions.

2. Commitments of $630 million of multifamily loans to be financed with tax-exempt or taxable bonds. None of these new loans will be FHA-insured.

3. Insurance of approximately $1.2 billion of mortgages through CaHLIF.

4. More Private Activity Bond (PAB) allocation will be required as our opportunity declines to recycle prior single family allocation by means of replacement refundings. These opportunities are declining primarily because of the delayed offset of certain prior changes to federal tax law.

Summary of Assumptions

Several programmatic and financial assumptions were made to arrive at the projections comprising the Agency's Five-Year Business Plan. The following is a summary of such assumptions:

1. Single family portfolio maintains its current delinquency ratio and REO experience.

2. S&P will assign a capital requirement of 12.5% to the FHA Risk-Share muttiimily loans and 25% to uninsured multifamily loans.

3. Single Family prepayments to be received according to the following table:

Mortgage Rates	PSA
3.00%	75%
5.875% to 7.60%	**100% - 199%**
7.61% to 9.00%	**200% - 350%**

If prepayments arrive slower than forecasted, then the amount of bonds outstanding will be greater, diluting the capital ratio.

4. Average investment rate in the absence of investment agreements to equal 5%.

5. Financial strength of the entire multifamily portfolio to remain at the current level.

6. Interest rates remain sufficiently low during the life of the Plan so that significant economic savings can be generated by means of bond refundings.

7. Operating budget is assumed to increase an average of 5% per year.

0. No unexpected insurance losses in the CaHLIF portfolio.

0. No principal losses from investments.

10. No failures of swap counterparties.

11. No loss in the value of the federal tax exemption.

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RESOLUTION *99-23*

WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, the Agency desires to amend Resolution *98-23* adopted on May 14, 1998, which committed the Agency to a business plan for the years 1998/99 through 2002/2003; and

WHEREAS, the Agency has presented to the Board of Directors a fiscal year 1999/2000 through 2003/2004 annual update of the business plan, in order to adjust to the ever changing economic, fiscal and legal environment, which updated business plan is designated to assist the Agency to meet its statutory objectives, to address the housing needs of the people of the State of California and to provide the Agency with the necessary road map to continue its bond, mortgage financing, and mortgage insurance activities well into the future.

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

1. The updated business plan, a copy of which is attached hereto and made a part hereof, is hereby fully endorsed and adopted.

2. In implementing the updated business plan, the Agency shall, as appropriate, satisfy all the capital adequacy, reserve, and any other requirements necessary to maintain the Agency's top-tier designation by Standard & Poor's Corporation, to maintain its general obligation credit ratings and the current credit ratings on its debt obligations, to comply with the requirements of the Agency's providers of credit enhancement, and to satisfy any other requirements of the Agency's bond and insurance programs.

3. Because the updated business plan is necessarily based on various economic, fiscal and legal assumptions, in order for the Agency to respond to changing

Resolution 99-23
Page 2

circumstances, the Executive Director shall have the authority to adjust the Agency's day-to-day activities to reflect actual economic, fiscal and legal circumstances in order to attain goals and objectives consistent with the intent of the updated business plan.

I hereby certify that this is a true and correct copy of Resolution 99-23 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 26, 1999, at *Burbank,* California.

ATTEST:______________________
Secretary

Attachment

State of California

MEMORANDUM

To CHFA Board of Directors Date: May 12, 1999

Theresa A. Parker, Executive Director

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: RESOLUTION 99-24: 1999-2000 OPERATING BUDGET

Once again, as part of our annual business planning cycle, we have reviewed all of our programs, reevaluated our processes, and analyzed our personnel needs to determine our resource requirements in the forthcoming fiscal year.

Towards that end, the following is a summary of changes to our operating needs that are required to fully implement the new Business Plan, as well as manage our on-going portfolio:

Personnel Services:

To administer the voter approved School Facilities Down Payment Assistance Program, two existing positions were redirected and three positions were added to the Single Family Program.

Three other positions have been added: a Finance Chief for the Multifamily Preservation Mark-@Market Program, one support staff for workload in the Single Family Program, and one support staff for workload in the Housing Enabled by Local Partnerships (HELP) Program. In addition, recently authorized pay increases for staff are funded within the Personnel Services category.

Operating Expenses and Equipment:

Facilities Operations - Creation of the School Facilities Fee Program, HELP, and Preservation Mark To Market Program have increased our space needs and related costs in Sacramento. This category also contains funds for scheduled lease adjustments in Culver City and Sacramento.

consulting and Professional Services - This category has increased slightly to reflect an upgrade to CHFA's computerized Loan Servicing system, as well as Information Technology Unit development costs.

Most of the cost increases in the Operating Expense category of the budget will be funded by redirections from other categories. As a result, the 1999/00 fiscal year Operating Expense category has risen only two percent from the current year.

Overall, the proposed budget for next year, including all new programs, staff increases, authorized salary adjustments, and operating expense changes, results in only a five percent increase over the current year.

As is our practice, we have looked at every avenue to *streamline* our operations while maintaining a high level of service to our affordable housing customers. I am confident that the attached budget will provide the resources to carry out the Agency's 1999-2000 Business Plan.

The Board's approval of Resolution 99-24, 1999-2000 Agency Operating Budget, is recommended.

CALIFORNIA HOUSING FINANCE AGENCY

HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 97/98	Budgeted 98/99	Proposed for 99/00
PERSONAL SERVICES			
Authorized Salaries	$8,380	$10,111	$10,765
Estimated Salary Savings		(476)	(503)
Staff Benefits	2.154	2,409	2,566
TOTALS, Personal Services	$10,534	$12,043	$12,828
OPERATING EXPENSES AND EQUIPMENT			
General Expense	382	500	450
Communications	272	345	345
Travel	350	380	355
Training	77	72	70
Facilities Operation	887	990	1,121
Consulting & Professional Sewices	669	1,135	1,300
Central Admin. Sew.	540	647	624
Data Processing	559	450	355
Equipment	185	116	116
Operating Expenses and Equipment	$3,923	$4,635	$4,736
TOTALS, EXPENDITURES	$14,457	$16,678	$17,564

• Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 12,1990

989

CALIFORNIA HOUSING FINANCE AGENCY

CHFA FUND OPERATING BUDGET 1999/00
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 07/98	Budgeted 08/09	Proposed for 99/00
PERSONAL SERVICES			
Authorized Salaries	$7,957	$9,534	$10,178
Estimated Salary Savings		(453)	(479)
Staff Benefits	2,050	2,270	2,425
TOTALS, Personal Services	$10,007	$11,351	$12,124
OPERATING EXPENSES AND EQUIPMENT			
General Expense	369	450	400
Communications	258	330	330
Travel	340	365	340
Training	67	62	60
Facilities Operation	844	940	1,071
Consulting & Professional Services	350	885	1,011
Central Admin. Serv.	407	507	568
Data Processing	495	400	305
Equipment	105	100	100
Operating Expenses and Equipment	$3,395	$4,119	$4,185
Distributed Administration	($366)	($350)	($367)
TOTALS, EXPENDITURES	$13,036	$15,120	$15,042

• Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 12,1999

CALIFORNIA HOUSING FINANCE AGENCY

CaHLIF FUND OPERATING BUDGET 1999/00
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 97/98	Budgeted 98/99	Proposed for 99/00
PERSONAL SERVICES			
Authorized Salaries	$423	$577	$587
Estimated Salary Savings		(23)	(23)
Staff Benefits	104	138	141
TOTALS, Personal Services	$527	$692	$705
OPERATING EXPENSES AND EQUIPMENT			
General Expense	13	50	50
Communications	14	15	15
Travel	10	15	15
Training	10	10	10
Facilities Operation	43	50	50
Consutting & Professional Services	319	250	289
Central Admin. Serv.	53	60	56
Data Processing	64	50	50
Equipment	0	16	16
Operating Expenses and Equipment	$528	$516	$551
Distributed Administration	$366	$350	$367
TOTALS, EXPENDITURES	$1,421	$1,558	$1,623

• Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 12,1999

CHFA/CaHLIF BUDGET 1999-00 PROPOSED

991

SUMMARY
PERSONNEL YEARS AND SAURIES

DIVISION	PERSONNEL YEARS ACTUAL 97-98	PERSONNEL YEARS AUTHORIZED BUDGET 98-99	PERSONNEL YEARS PROPOSED 99-00	AMOUNT FINAL BUDGET 1998-99	AMOUNT PROPOSED BUDGET 1999-00
EXECUTIVE OFFICE	6.0	6.0	6.0	$449,760	$461,604
ADMINISTRATION	18.2	23.0	23.0	1,095,876	1,145,676
FINANCING	8.0	8.0	8.0	473,328	500,520
FISCAL SERVICES	43.3	44.0	45.0	1,954,824	2,124,924
GENERAL COUNSEL	8.1	9.0	9.0	554,436	580,320
MARKETING	4.4	5.0	5.0	289,728	329,244
PROGRAMS	43.6	59.0	65.0	3,083,184	3,368,700
ASSET MANAGEMENT	24.3	27.0	27.0	1,304,040	1,360,200
CaHLIF	8.0	11.0	11.0	576,764	587,100
Temporary Help	10.5	7.0	6.0	298,000	267,000
Overtime				31,000	40,000
TOTAL SALARIES	174.4	199.0	205.0	$10,110,940	$10,765,288
Less Salary Savings*		(0.9)	(10.2)	(476,438)	(481,612)
NET SALARIES	174.4	189.1	194.8	$9,634,502	$10,283,676

This figure represents a normal rate of vacancies and lag time in refilling positions in accordance with State budget practices.

May 12,1999
CHFA/CaHLIF
Agency Code: 2260
funds: 0501,0916

FY 1999/00
PERSONNEL YEARS
AND SALARIES
SCHEDULE 7A

ORGANIZATIONAL UNIT Classification	Actual 1997-98	Authorized Budget 98-99	Proposed 99-00	Actual 97-98	Authorized Budget 98-99	Proposed 99-00
California Housing Finance Agency	#0501			SALARY RANGE		
Executive Office:						
Exec Director	1.0	1.0	1.0	8,861 - 9,583	111,648	114,996
Chief Dep Director	1.0	1.0	1.0	7,830 - 8,469	98,664	101,628
Director of Legislation-Federal	1.0	1.0	1.0	5,828 - 6,303	73,308	75,636
Director of Legislation-State	1.0	1.0	1.0	5,695 - 6,159	66,804	70,008
Admin Asst II	2.0	2.0	2.0	3,619 - 4,367	99,336	99,336
Totals, Executive Office	6.0	6.0	6.0	$444,884	$449,760	$461,604
Administration:						
Director's Office:						
CEA I	1.0	1.0	1.0	4,955 - 6,292	73,128	75,504
Ofc Techn	1.0	1.0	1.0	2,150 - 2,613	26,964	29,724
Administrative Services:						
Assoc Personnel Analyst	1.0	1.0	1.0	3,619 - 4,367	49,668	49,668
Assoc Management Analyst	0.0	1.0	1.0	3,619 - 4,367	45,384	47,712
Staff Services Analyst	2.0	3.0	3.0	3,010 - 3,619	123,480	123,480
Bus Services Offr	1.0	1.0	1.0	3,010 - 3,619	41,160	41,160
Bus Services Assistant	0.1	0.0	1.0	2,510 - 3,010	0	35,952
Personnel Techn I	1.0	0.0	0.0	2,317 - 2,755	0	0
Mgt Services Techn	0.9	1.0	0.0	2,318 - 2,755	31,332	0
Ofc Asst	0.4	1.0	1.0	1,857 - 2,256	23,280	23,280
Data Processing:						
DP Mgr III	0.1	1.0	1.0	5,441 - 5,999	66,072	71,988
DP Mgr II	0.9	0.0	0.0	4,585 - 5,532	0	0
Systems Software Spec II	0.0	0.0	1.0	4,576 - 5,530	0	63,036
Systems Software Spec I	1.0	1.0	0.0	4,166 - 5,027	57,180	0
Staff Programmer Analyst	1.0	1.0	1.0	3,977 - 4,797	54,564	57,564
(a)Assoc Programmer Analyst	6.2	8.0	8.0	3,800 - 4,585	417,216	440,160
Programmer II	0.6	2.0	2.0	3,161 - 3,800	86,448	86,448
Totals, Administration	18.2	23.0	23.0	$945,528	$1,095,876	$1,145,676
Financing:						
Director	1.0	1.0	1.0	7,398 - 8,001	93,216	96,012
Financing Off	2.0	2.0	2.0	4,908 - 5,933	138,240	142,392
Financing Spec	1.5	3.0	3.0	3,977 - 4,797	163,692	172,692
Financing Assoc	1.5	0.0	1.0	3,619 - 4,367	0	52,404
Housing Finance Asst	1.0	1.0	0.0	3,010 - 3,619	41,160	0
Exec Assistant	0.4	1.0	1.0	2,678 - 3,255	37,020	37,020
Exec Secty I	0.6	0.0	0.0	2,461 - 2,991	0	0
Totals, Financing	8.0	8.0	8.0	$453,048	$473,328	$500,520

Fiscal Services:						
Comptrolier, CEA II	1.0	1.0	1.0	6,273 - 6,916	80,388	82,992
(a) Mortgage Loan Acctg Admin	3.0	3.0	3.0	4,476 - 5,401	188,784	194,436
Acctg Admin I (Supervisor)	1.8	2.0	2.0	4,077 - 4,918	114,600	118,032
Acctg Admin I (Specialist)	0.9	1.0	3.0	3,977 - 4,797	57,300	172,692
Mortgage Loan Acctg Supvr	0.2	0.0	0.0	3,800 - 4,585	0	0
(a) Assoc Acctg Analyst	3.0	3.0	4.0	3,800 - 4,585	156,456	220,080
Sr Acctg Off (Supervisor)	1.0	1.0	1.0	3,710 - 4,476	50,040	53,712
Sr Acctg Off (Specialist)	3.4	3.0	6.0	3,619 - 4,367	150,120	314,424
Mortgage Loan Acctg Off	9.4	13.0	7.0	3,161 - 3,800	561,912	319,200
(a) Mortgage Loan Accountant	5.8	3.0	5.0	2,362 - 2,811	95,904	159,840
Mgt Services Techn	0.7	1.0	0.0	2,318 - 2,755	31,332	0
Acctg Techn	1.6	2.0	1.0	2,150 - 2,613	59,448	31,356
Ofc Techn	0.8	1.0	2.0	2,150 - 2,613	29,724	59,448
Ofc Asst	0.1	0.0	0.0	1,857 - 2,256	0	0
Loan Servicing:						
Staff Services Mgr II (Supvr)	0.0	1.0	1.0	4,476 - 5,401	62,928	63,480
Loan Servicing Manager	1.0	0.0	0.0	4,176 - 5,038	0	0
Housing Finance Spec	0.0	0.0	1.0	3,977 - 4,797	0	54,564
Housing Finance Assoc	1.0	1.0	0.0	3,619 - 4,367	49,668	0
Mortgage Loan Acctg Off	0.8	0.0	0.0	3,161 - 3,800	0	0
Housing Finance Asst	1.0	1.0	1.0	3,010 - 3,619	41,160	43,428
Collections Agent	1.9	2.0	2.0	2,620 - 3,148	71,616	75,552
Housing Finance Trainee	0.1	0.0	1.0	2,510 - 3,010	0	36,120
Mgt Services Techn	2.8	3.0	2.0	2,318 - 2,755	93,996	66,120
Ofc Tech	1.0	2.0	2.0	2,150 - 2,613	59,448	59,448
Ofc Asst	1.0	0.0	0.0	1,857 - 2,256	0	0
Totals, Fiscal Services	43.3	44.0	45.0	$1,612,357	$1,954,824	$2,124,924
Legal:						
Gen Counsel	1.0	1.0	1.0	7,398 - 8,001	93,216	96,012
Staff Counsel III	1.5	2.0	2.0	6,077 - 7,352	167,256	176,448
Staff Counsel	2.0	2.0	2.0	5,273 - 6,375	145,032	153,000
Housing Finance Asst	1.0	1.0	1.0	3,010 - 3,619	41,160	43,428
Staff Services Analyst	0.6	1.0	1.0	3,010 - 3,619	41,160	41,160
Exec Secty I	1.0	1.0	1.0	2,461 - 2,991	34,020	35,892
Sr Typist Legal	1.0	1.0	1.0	2,357 - 2,865	32,592	34,380
Totals, Legal	8.1	9.0	9.0	$496,057	$554,436	$580,320
Marketing:						
Director	1.0	1.0	1.0	6,719 - 7,267	84,660	87,204
Special Asst for Marketing	0.0	0.0	1.0	6,570 - 7,244	0	86,928
Asst for Marketing	1.0	1.0	1.0	5,302 - 5,735	66,816	66,816
Housing Finance Spec	0.4	1.0	0.0	3,977 - 4,797	54,564	0
Assoc Govtl Prog Analyst	1.0	1.0	1.0	3,619 - 4,367	49,668	52,404
Exec Secty I	1.0	1.0	1.0	2,461 - 2,991	34,020	35,892
Totals, Marketing	4.4	5.0	5.0	$253,712	$289,728	$329,244

Programs:						
Division Management:						
Director	1.0	1.0	1.0	7,398 - 8,001	93,216	96,012
Deputy Director	0.0	1.0	1.0	6,570 - 7,244	84,396	86,928
Spec Asst to Dir	1.0	1.0	1.0	6,273 - 6,916	80,580	82,992
Exec Asst	0.7	0.0	0.0	2,678 - 3,255	0	0
Ofc Techn	0.0	1.0	1.0	2,150 - 2,613	27,216	31,356
Mark to Market:						
Housing Finance Chief	0.0	0.0	1.0	5,982 - 6,596	0	79,152
HELP:						
Housing Finance Off	0.0	0.0	1.0	4,908 - 5,933	0	71,196
Housing Finance Spec	0.0	0.0	1.0	3,977 - 4,797	0	57,564
Ofc Techn	0.0	0.0	1.0	2,150 - 2,613	0	27,216
Small Business Dev:						
Housing Finance Off	0.0	0.0	1.0	4,908 - 5,933	0	71,196
Housing Finance Spec	0.0	0.0	1.0	3,977 - 4,797	0	57,564
Ofc Techn	0.0	0.0	1.0	2,150 - 2,613	0	31,356
Tech Support:						
Supvng Design Off	0.0	0.0	1.0	5,029 - 6,113	0	73,356
Housing Const Insp	0.0	0.0	1.0	4,482 - 5,446	0	65,352
Sr Design Off	0.0	0.0	1.0	4,344 - 5,278	0	63,336
Assoc Design Off	0.0	0.0	1.0	3,887 - 4,723	0	53,724
Ofc Techn	0.0	0.0	1.0	2,150 - 2,613	0	29,724
Single Family Programs:						
Housing Finance Chief	1.0	1.0	1.0	5,982 - 6,596	76,848	79,152
Housing Finance Off	4.0	4.0	3.0	4,908 - 5,933	276,480	213,588
Housing Finance Spec	1.0	3.0	3.0	3,977 - 4,797	163,692	172,692
Housing Finance Assoc	5.0	5.0	6.0	3,619 - 4,367	238,320	285,984
Housing Finance Asst	6.2	7.0	7.0	3,010 - 3,619	288,120	288,120
Housing Finance Trainee	2.0	5.0	6.0	2,510 - 3,010	171,180	205,416
Mgt Services Techn	1.4	1.0	0.0	2,318 - 2,755	31,332	0
Support Staff - Sacramento:						
Ofc Asst	2.0	2.0	3.0	1,857 - 2,256	48,888	81,216
Prop 1A:						
Housing Finance Spec	0.0	0.0	1.0	3,977 - 4,797	0	54,564
Housing Finance Assoc	0.0	0.0	1.0	3,619 - 4,367	0	49,668
Housing Finance Trainee	0.0	0.0	2.0	2,510 - 3,010	0	68,472
Ofc Asst	0.0	0.0	1.0	1,857 - 2,256	0	24,444
Multifamily Programs:						
Housing Finance Chief	1.0	1.0	1.0	5,982 - 6,596	76,848	79,152
Supvng Design Off	1.0	1.0	0.0	5,029 - 6,113	71,220	0
Housing Finance Officer	4.0	6.0	5.0	4,908 - 5,933	414,720	355,980
Housing Const Insp	1.0	1.0	0.0	4,482 - 5,446	61,944	0
Sr Design Off	0.9	1.0	0.0	4,344 - 5,278	51,888	0
Housing Finance Spec	2.5	6.0	4.0	3,977 - 4,797	327,384	230,256
Assoc Design Off	0.1	2.0	0.0	3,087 - 4,723	107,448	0
Housing Finance Assoc	2.0	2.0	1.0	3,619 - 4,367	99,336	52,404
Housing Finance Asst	2.0	2.0	2.0	3,010 - 3,619	79,272	86,856
Small Business Dev:						
Housing Finance Off	1.0	1.0	0.0	4,908 - 5,933	69,120	0
Housing Finance Spec	1.0	1.0	0.0	3,977 - 4,797	54,564	0
Ofc Techn	0.0	0.0	0.0	2,150 - 2,613	0	0
Support Staff:						
Ofc Techn	1.3	3.0	2.0	2,150 - 2,613	89,172	62,712
Ofc Asst	0.5	0.0	0.0	1,857 - 2,256	0	0
Totals, Programs	43.6	59.0	65.0	$2,256,331	$3,083,184	$3,368,700

Asset Management:						
Housing Finance Chief	1.0	1.0	1.0	5,982 - 6,596	76,848	79,152
Admin Asst I 995	1.0	1.0	1.0	3,010 - 3,619	41,160	43,428
Asset Management - North:						
Housing Finance Off	1.0	1.0	1.0	4,908 - 5,933	69,120	71,196
Housing Maint Insp	2.0	3.0	3.0	4,082 - 4,959	169,200	169,2000
Housing Finance Spec	1.9	4.0	4.0	3,977 - 4,797	218,256	218,256
Housing Finance Assoc	3.0	1.0	1.0	3,619 - 4,367	45,384	52,404
Assoc Gov Prog Analyst	0.3	0.0	0.0	3,619 - 4,367	0	0
Housing Finance Asst	3.9	4.0	4.0	3,010 - 3,619	164,640	173,712
Housing Finance Trainee	0.1	0.0	0.0	2,510 - 3,010	0	0
Mgt Services Techn	0.3	1.0	1.0	2,318 - 2,755	31,332	31,332
Support Staff - North:						
Ofc Techn	1.7	1.0	1.0	2,150 - 2,613	29,724	31,356
Asset Management - South:						
Housing Finance Off	1.0	1.0	1.0	4,008 - 5,933	60,156	71,196
Housing Maint Insp	2.0	2.0	2.0	4,082 - 4,959	112,800	119,016
Housing Finance Spec	2.0	3.0	3.0	3,977 - 4,797	163,692	172,692
Housing Finance Asst	1.3	1.0	1.0	3,010 - 3,619	41,160	43,428
Support Staff - South						
Ofc Techn	1.8	2.0	2.0	2,150 - 2,613	59,448	62,712
Ofc Asst	0.0	1.0	1.0	1,857 - 2,256	$1,324,020	$1,380,200
Totals, Asset Mngmnt	24.3	27.0	27.0	$1,201,488		
Temporary Help	10.5	7.0	6.0	266,143	298,000	267,000
Overtime				23,927	31,000	40,000
TOTALS, CHFA	166.4	188.0	194.0	$7,953,475	$9,534,176	$10,178,188
Ca Housing Loan Insurance Fund #0916						
Director's Office:						
Director	1.0	1.0	1.0	7,558 - 8,174	95,232	98,088
Delinquency 8 Claims						
(b) Mortgage Insurance Off	1.0	1.0	1.0	4,674 - 5,153	61,704	61,836
(b) Mortgage Insurance Rep I	1.0	1.0	1.0	2,510 - 3,619	41,160	43,428
Marketing						
(b) Mortgage Ins. Marketing Rep	1.0	1.0	1.0	2,957 - 3,260	60,000	60,000
Mortgage Insurance Spec	0.0	1.0	1.0	3,977 - 4,797	45,240	47,724
Risk Management:						
(b) Mortgage Insurance Off	1.0	1.0	1.0	4,674 - 5,153	61,704	61,836
Mortgage Insurance Spec	1.0	1.0	1.0	3,977 - 4,797	54,564	57,564
Mortgage Insurance Rep II	1.0	1.0	1.0	3,619 - 4,367	49,668	52,404
Mortgage Insurance Rep I	0.0	1.0	1.0	3,010 - 3,619	41,160	41,160
Mgt Services Techn	1.0	1.0	1.0	2,318 - 2,755	31,332	33,060
Temporary Help	0.0	1.0	1.0	$0	35,000	30,000
TOTALS, CaHLIF	8.0	11.0	11.0	$426,179	$576,764	$587,100
TOTALS, AUTHORIZED POSITIONS						
CHFA AND CaHLIF	174.4	199.0	205.0	$8,379,654	$10,110,940	$10,765,288
Regular/Ongoing Positions	163.9	191.0	198.0		$9,746,940	$10,428,288
Temporary Help	10.5	8.0	7.0		$333,000	$297,000
Overtime					$31,000	$40,000

(a) Positions subject to cost recovery from CaHLIF
(b) Positions entitled to additional compensation package

CALIFORNIA HOUSING FINANCE AGENCY
ACTUALANDPROJECTEDREVENUESANDEXPENSES

OPERATING ACCOUNT
(In millions)

	1997198 (Actual)	1998/99 (Projected)	1999/2000 (Projected)
Beginning Balance	$13.9	$15 2	$15.9
HOUSING REVENUES			
Administrative Fees:			
Single Family	10.7	10.6	10.2
HUD/Multifamily	1.0	1.0	1.1
SMIF Int. on Impounds	0.8	0.8	0.9
Commitment Fees/Misc. Inc.	1.0	0.8	1.0
SMIF Interest on Balance	0.7	1.0	1.0
Net Servicing Fee Income	1.5	0.8	1.5
Operating Transfers	(1.5)	0.9	0.5
Total, Housing	$14.2	$15.9	$16.2
CaHLIF REVENUES			
Investments and Premiums	1.4	1.6	1.6
HOUSING AND CaHLIF TOTAL OPERATING REVENUES	$15.6	$17.5	$17.8
EXPENSES			
Housing - Operating Budget	12.8	15.1	15.9
CaHLIF - Operating Budget	1.4	1.6	1.6
HOUSING AND CaHLIF FUNDS TOTAL OPERATING EXPENSES	$14 2	$16.7	$17.5
Non-Operating Expenses (Depreciation)	0.1	0.1	0.1
Ending Balance	$15.2	$15.9	$16.1

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RESOLUTION 99-24

CHFA OPERATING BUDGET

FISCAL YEAR 1999/2000

WHEREAS, the Board of Directors of the California Housing Finance Agency has reviewed its proposed operating budget for the 1999/2000 fiscal year;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The operating budget attached hereto is hereby approved for operations of the California Housing Finance Agency Fund and California Housing Loan Insurance Fund for fiscal year 1999/2000.

I hereby certify that this is a true and correct copy of Resolution 99-24 adopted at a duly constituted meeting of the Board of the Agency held on May 26, 1999, at Burbank, California.

ATTEST:____________________
Secretary

Attachment

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