BOARD OF DIRECTORS

Thursday, July 8, 1999

Host Airport Hotel
Sacramento International Airport
Sacramento, California
(916) 922-8071

9:30 a.m.

1. Roll Call ....
2. Approval of the minutes of the May 26, 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/Linn Warren)

Number	Development	Locality	units
99-001-S	Norwalk Senior Apartments	Norwalk/ Los Angeles	240

Resolution 99-25.. .... .828

Number	Development	Locality	units
98-028-S	Casa Ramon Apartments	Orange/ Orange	75

Resolution 99-26.. .... .850

5. Other Board matters ....
6. Public testimony: Discussion only of other matters to be brought to the Board's attention.
7. An informational workshop will immediately follow the Board meeting.

AGENDA
FOR
CHFA BOARD
INFORMATIONAL WORKSHOP

July 8, 1999

1. Introduction to Workshop. (Theresa Parker)

2. Overview & Status of "At Risk" Affordable Rental Housing. (William Rumpf, Executive Director, California Housing Partnership Corporation)

3. Summary of current HCD program activity with emphasis on active and projected affordable rental. housing programs. (Judy Nevis, Acting Director, Housing & Community Development Department)

4. Current status and future expectations of the use of Private Activity Bond allocation in support of affordable housing. (Phyllis Klein, Executive Director, California Debt Limit Allocation Committee)

5. Current status and future expectations of the use of Tax Credits for Affordable Rental Housing. (Jeanne Peterson, Executive Director, California Tax Credit Allocation Committee)

6. Public comment.

*** NOTE: Next CHFA Board of Directors Meeting will be September 9, 1999, at the Clarion Hotel, San Francisco Airport, Millbrae, California.**

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

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

Wednesday, May 26, 1999
9:30 a.m. to 12:35 p.m.

Minutes approved by
Board of Directors
at its meeting held:
July 18, 1999

Attest: [signature]

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A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

PHILIP ANGELIDES

DONNA MAY CAMPBELL

EDWARD M. CZUKER

KRISTIN FAUST

CARRIE A. HAWKINS

KEN S. HOBBS

ROBERT N. KLEIN II

ANGELO R. MOZILO

JUDY NEVIS

THERESA A. PARKER

Staff Present:

DAVID N. BEAVER, General Counsel

JOJO OJIMA

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

For the Staff of the Agency:

KENNETH R. CARLSON, Director of Financing

WILLIAM CRANHAM, Director of Marketing

JACKIE RILEY, Director of Administration

G. RICHARD SCHERMERHORN, Director of Programs

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

LINN G. WARREN, Chief, Multifamily Lending

KATHY WEREMIUK, Mortgage Loan Officer

Counsel to the Agency:

RONALD E. LEE, Orrick, Herrington & Sutcliffe

Members of the Public:

NONE

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PROCEEDINGS

WEDNESDAY, MAY 26, 1999 BURBANK, CALIFORNIA 9:39 A.M

CHAIRMAN WALLACE: Good morning. We will call the meeting of the CHFA Board of Directors to order and I'll ask the secretary to call the roll.

ROLL CALL

MS. OJIMA: Mr. Angelides?

MR. ANGELIDES: Present.

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

MS. CAMPBELL: Here.

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Easton?

(No response).

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Present.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Present.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Here.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Here.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. OJIMA: Mr. Gage?

(No response).

MS. OJIMA: Ms. Lynch?

(No response).

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN WALLACE: We have a quorum. This meeting can proceed in an orderly fashion.

APPROVAL OF THE MINUTES OF THE APRIL 7, 1999 MEETING

CHAIRMAN WALLACE: Item 2 is the approval of the minutes of the April 7, Board meeting. Any questions, comments, additions, deletions or a motion for approval?

MR. ANGELIDES: Moved.

MR. HOBBS: Second.

CHAIRMAN WALLACE: That's the way, Hobbs. Do I have a motion?

MR. ANGELIDES: Moved. I moved approval.

MR. HOBBS: Actually there was a motion.

CHAIRMAN WALLACE: Hobbs is ahead of us here, we're going to find --

MR. HOBBS: No, no, no, there was a motion, Mr. Chairman.

CHAIRMAN WALLACE: -- much of the day.

MR. HOBBS: Perhaps it was imaginary but I thought I heard a motion.

MR. ANGELIDES: I moved it.

CHAIRMAN WALLACE: Mr. Angelides moves and Mr. Hobbs seconds, secretary, a motion for approval of the minutes of the prior meeting. Secretary, call the roll.

MS. OJIMA: Mr. Angelides?

MR. ANGELIDES: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: It has been approved.

CHAIRMAN WALLACE: The motion has been approved having to do with the last Board meeting minutes.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Item 3, Chairman and Executive Director comments. We'll be brief. I'm going to try and get through Item 5 -- If you look on page two of the agenda you've got Item 5 at the top and then Item 5 following that; so we're going to try and get through at least 55 by 10:30-ish. Now we're a few minutes behind but the projects, we're anticipating, should go pretty rapidly.

Beyond that, you know we'll, at least the Board Members know we have to adjourn briefly to poolside for our Annual Report pictures so at approximately 10:30, a quarter of 11 we will do so. Then we will come back. I know some of you have time constraints but we'll come back and do the Business Plan and the Budget.

So with that let me first welcome Phil Angelides, our State Treasurer. We're delighted to have you here. I know you're going to be a great State Treasurer and a contributing Board Member on this, as I'm sure -- This is the only board you've got, isn't it, Phil?

MR. ANGELIDES: Right.

CHAIRMAN WALLACE: But we're certainly happy to have you. Phil and I have talked a little. I know Terri and your staff and our staff have talked and I sense a lot of synergism there. But that being the case, we welcome some brief opening remarks if you're so inclined.

MR. ANGELIDES: Well, just thank you very much. I'm looking forward to working with all the Board Members. If you look at my responsibilities as Treasurer, plus also my passions in life, being involved in affordable housing, both ownership and multifamily, has been very much a part of what I have been involved in in my life.

And if you look at the Treasurer's job, a lot of people don't really focus on the fact that in addition to the investment responsibilities, the bond responsibilities, that when you take the Tax Credit Committee and the Debt Limit Allocation Committee and my membership here in the Housing Finance Agency, it's a big part of my job.

(Thereupon, Mr. Edward Czuker entered the meeting room.)

And so I'm looking forward to working with each and every one of you to have this entity do the best job it can and further home ownership opportunities, particularly for those excluded traditionally by private market places, and also in trying to do as much as we can to provide affordable rental housing. Again, to those people who absent some leadership effort wouldn't live in decent shelter. And so the CHFA has an important role to play in supplementing, augmenting the private sector's traditional roles in providing home ownership and rental housing.

So I'm looking forward to it very much.

CHAIRMAN WALLACE: Thank you, Phil, and we're happy to have you with us. Judy, happy to have you too. The Acting Director of HCD. Am I correct, or are you --

MS. NEVIS: That's correct, Acting Director.

CHAIRMAN WALLACE: Or it's not an act?

MS. NEVIS: No. Well, I'm trying to do the best I can but I am the Acting Director. And I'm also very pleased to be here and similarly our agency is looking forward to working, as they have in the past, very well with CHFA and helping get some of those same things done that Mr. Angelides was talking about. Making sure that home ownership and the ability to have a place to live is a reality for more in California. So we're excited about participating.

CHAIRMAN WALLACE: Well thank you, and we're happy to have you here too. And Ed Czuker, we're happy to have you here too.

MR. CZUKER: Thank you.

CHAIRMAN WALLACE: Eddie, how are you?

MR. CZUKER: Good.

CHAIRMAN WALLACE: Donna is --

MS. CAMPBELL: So I'm the headache? Is that it?

CHAIRMAN WALLACE: Donna Campbell, BT&H representative, and I think the Secretary is going to drop in --

MS. CAMPBELL: Yes.

CHAIRMAN WALLACE: -- before the morning is out.

MS. CAMPBELL: She will.

CHAIRMAN WALLACE: Okay, good. Armed with that, Terri, anything under Item 3? I think you had one or two.

MS. PARKER: Mr. Chairman, I'll make my comments brief so that you don't have to listen to me this morning because my voice is kind of hoarse. I just wanted to give you an update. Obviously the staff have been very busy since our last meeting continuing to work on the Business Plan. We're very excited about presenting it to *you* today and I'll save the rest of my remarks for that as an introduction.

We have been also involved in trying to work within the Administration on issues in the state budget that would be promoting housing. We are excited about the opportunities, perhaps with some additional revenues in the spring, to see if there can be some additional dollars to what was added in the budget in January for various kinds of housing activities that both the State and Locals accomplish.

We continue to work on our activities for lobbying on tax credits and bond cap and I would particularly like to thank the efforts of the Treasurer and Angelo and his staff in helping us with our lobbying effort. We are currently at -- We have all but 6 members of the 54 member delegation on the bond cap and we have all but 5 members on the tax credit and we are going to continue to work on those individuals to see if we can reach Bill Cranham's goal of 100 percent.

Nationally, the House Bill at the moment on tax credits has 293 co-authors and the bond cap has 274 authors. With 46 members in the Senate, 36 members -- 46 members on tax credits, 36 members on bond cap so we've got a way to go. The expectation is that under the budget resolution the tax bills will be marked up in the next month and we're anxious to see if we are successful in being included.

So I just wanted to let you know we are -- California, we're superstars compared to some of our colleagues in some of the other states and that we're actually being used as sort of the benchmark about what Texas, New York, New Jersey, Florida and some of the other states need to do to get their co-sponsorship up to where we're at.

And one or two more comments. There is a document at your desks that we were giving you as a heads-up from Dave Beaver. Legislation was passed this last year and signed that will require all CHFA Board Members to go through an ethics training. We will be providing you more information about how to accomplish that. Obviously, given all of your busy schedules, we will try to do that in a manner that would be as least intrusive as possible to accomplish the mandate.

The last thing I would just make a note: When we discuss the Business plan, Mr. Chairman, one of our Board

Members has discussed the opportunity or the idea of holding a workshop, particularly on preservation. When the time comes, as part of our 'Business Plan, I think it would be a good opportunity to discuss among you as colleagues, holding such a workshop. Thank you. (Telephone rang.)

CHAIRMAN WALLACE: If that's mother I'm not available. Thank you, Terri, I think that basically does it. So we can jump into Item 4, the Dick and Linn show.

RESOLUTION 99-18

MR. SCHERMERHORN: Thank you, Mr. Chairman and Members of the Board. Although we have a light project menu today I think you'll find it interesting. Our first request this morning is for a first mortgage totalling $3,050,000, a 30-year fixed rate at 5.9 percent, tax-exempt financing for a family project. Acquisition rehab, 79 units located in the community of Lakeside in San Diego County.

This project in the locality is identified as one that is in a neighborhood revitalization area and CDBG Funds have been earmarked for this project by the locality, $1,056,000, in addition a $385,000 AHP Loan is to be dedicated for this particular project. And for a look-see at the project and market area, Linn Warren.

(Video presentation of project begins.)

MR. WARREN: Mr. Chairman. As Dick indicated, Maplewood is located in Lakeside which is in the unincorporated area of San Diego. The project is 79 units in 11 buildings and was constructed in 1985. This is the main entrance to the project here on Mapleview which is a four lane artery running into Lakeside. This is the manager's office with visitor parking. Behind this is a pool area with buildings surrounding in basically a U-shaped pattern. Again, a view of the manager's office.

One of the rehab requirements will be the surfacing in here. On the parking area there is some broken concrete. These will be punched out, filled in and then all the parking areas will be resealed. The pool area behind the manager's office. This is actually in fairly good shape. The physical needs assessment indicates that the concrete decking has approximately ten years left of estimated useful life and the pool linings are due for replacement in 15 years.

This is typical of the interior walkways. The landscaping for the property is in acceptable condition. The only recommendations that the Agency had was for pooling and ponding which exists in certain drainage areas and that will be remedied with a drainage plan. This is typical of the stairways and walkways that are in the area. We did uncover some degree of termite and dry rot infestation throughout the project in here and that will be taken care of with termite remediation. This T-111 siding in here also had some moderate dry rot; that will also be addressed.

These heat pump units in here are almost at the end of their estimated useful life, or half of them are, so there is a replacement schedule that is being put in place where five to six of these units will be replaced on an annual basis after the rehabilitation is completed. Rear parking. Again, there is no covered parking on the property. And again indication of the parking areas that need to be punched out and resurfaced. And again, additional parking which is directly adjacent to Mapleview Drive.

The final area of rehab are the kitchens. These cabinet faces here will be replaced, they've reached the end of their life. Many of the appliances in the units will be replaced and new flooring will be put in. Generally, the appliances themselves are not in bad condition but our PNA has required that they do be replaced over a period of time.

(Video presentation of project ends.)

MR. SCHERMERHORN: The occupancy restrictions for this project will be layered. There am HOME requirements, 5 percent of the units restricted at 35 percent or less of median; the Agency's restrictions of a minimum 20 percent at 50 percent; and with tax credits on the project, 100 percent of the units will have 60 percent median income occupancy restrictions on them. The environmental review for the project did not turn up any particular issue that needed further review. We'll need a satisfactory Article 34 opinion prior to loan close.

The borrower in this case is Community Housing of North County, a nonprofit, public benefit corporation. They have been in business since 1988. They have acquired a portfolio at this point of some 11 projects that includes a mix of units for transitional housing as well as AIDS/HIV housing and straight affordable housing. This would be a logical addition to their portfolio. They're also involved in other support services in regards to their projects.

The management agent proposed for the project is Cuatro Properties. It's an entity that we have a positive experience with. They currently manage one of our other portfolio projects. With that, a pretty straightforward transaction here. We're recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: Any questions? Mr. Klein.

MR. KLEIN: On the percentages of the financing that's taxable it looks as though -- The taxable loans on the Sources and Uses statement on page 821. If I combine the CDBG loan and the other loans it looks like those are 32 percent of the total financing. And I'm wondering if you're running all three 50 percent tests under the IRS regs to look at the qualification of this financing to meet the test that more than 50 percent needs to financed with tax-exempt bonds. I know that you've run the nominal test, that's apparent, but there's two other tests and I don't know if you're running those.

It may get -- This project might get by, but if I look at the last project, the one that follows Citrus Tree in the binder, North Hills has a similar percentage, maybe a little higher percentage of taxable financing. The normal models that we run are somewhere around 27 percent taxable financing from all sources. The numbers bust on the other two tests. So I'm wondering if you're running all three tests.

MR. SCHERMERHORN: The test we're applying there is a gross test. If the total development cost is $5.1 million then the tax-exempt financing to qualify for tax credits requires more than 50 percent of that total development cost. And it is one that we end up having bond counsel opine on and it is reviewed by the tax credit committee when those projects are sent over there for those approvals.

MR. KLEIN: My suggestion is that you go to an outside tax credit attorney or specialized accounting firm because the most recent IRS debate on this topic leaves ambiguity as to whether the nominal gross test works or whether you have to look at two other tests. And it's on the two other tests that you run into trouble, generally, at this level of taxables. At 25 percent taxables you're fine, but at 32 percent a lot of the projects fail the test. so I would just suggest that it would be important to look at all three tests rather than settling with the nominal test given that there's a lot of debate about whether the IRS really will sign off in the end on a single test.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Carrie. I'm going to ask us all to -- For whatever reason we need to lean into our microphones today.

MS. HAWKINS: I like this project a lot, actually, and I'm ready to move to approve it. But I think that this particular development, and in the Section C, Housing Supply, I like your summary there a lot because I think it illustrates for us what we're dealing with as far as what cause, the causes and effects of bad public policy or tax policy or whatever. And I think we need to address that again as we work with our legislators on policy because I think you've done a good job of summarizing the problems that we're facing and look at history as to not repeat that problem and continue it.

MR. SCHERMERHORN: We'll be glad to double-check this issue but bond counsel to date reviews these and has not raised this as a flag with us on any of the transactions. But we'll double-check it.

MR. KLEIN: It's really not a bond counsel issue, it's a tax credit counsel issue.

MR. SCHERMERHORN: Okay. Well, they review them too.

MR. KLEIN: I understand. But all I'm saying is there's a lot of people just doing the nominal test whereas in fact there's a --

MR. SCHERMERHORN: Okay.

MR. KLEIN: The cutting edge people are all doing the three tests.

CHAIRMAN WALLACE: Let's be cutting edge.

MR. SCHERMERHORN: That's us.

CHAIRMAN WALLACE: We'll check it. Mr. Angelides.

MR. ANGELIDES: Yes, just a couple of quick questions. Does this project have an allocation of tax-exempt authority or does it require one? Has it yet gotten its CDLAC allocation?

MR. WARREN: No, it has not, it is in for the next round with CDLAC.

MR. ANGELIDES: In *for the next round* as in June?

MR. WARREN: Yes.

MR. ANGELIDES: Okay.

MR. SCHERMERHORN: It requires this approval --

MS. PARKER: Linn, we don't take projects to -- Yes, we only take projects to the Board ---

MR. SCHERMERHORN: Yes. It requires this approval before we take them to CDLAC.

MR. ANGELIDES: But as of today it does not?

MR. SCHERMERHORN: Correct.

MR. ANGELIDES: Was this submitted, just out of curiosity, for the January round?

MR. WARREN: No, it was not.

MR. ANGELIDES: It's going to be tough. I mean just an observation, just because the backlog is already pretty significant.

MR. SCHERMERHORN: We understand.

MR. ANGELIDES: And the second question is: What's the relationship between the current rents and the rents after acquisition rehab?

(Video presentation of project begins.)

MR. WARREN: If I may, let me move on to this chart here. This indicates the rents, vis-a-vis market, and what proposed rents are. As you can see we have three levels of affordability which are the 35, 50 and 60 percent rents. In the 35 and 50 percent levels we have significant affordability below prevailing market, and even at the 60 percent rents in this area we're at or about our 10 percent below market where we like to be.

MR. ANGELIDES: No, I saw that chart, I'm just asking what are the current rents in the project versus.

MR. WARREN: The current rents are slightly higher than these. They're a little bit --

MR. ANGELIDES: Then it's slightly higher than the third column?

MR. WARREN: Slightly higher than the third column. They're in this range in here. It depends on the unit size. These are mainly twos and threes. But in most cases the rents will be coming down because of the affordability, the increased affordability. The market rate average is about where it is with adjacent projects.

MR. ANGELIDES: So the market rates -- I just want to see if I can understand that chart.

MR. WARREN: This is our market rate area so the project rents for the --

MR. ANGELIDES: And you're saying today they're in that ballpark.

MR. WARREN: They're in that ballpark.

MR. ANGELIDES: Okay, so there's a significant reduction below market.

MR. WARREN: After the affordability is imposed, yes.

MR. ANGELIDES: Okay.

CHAIRMAN WALLACE: Any other questions? Any questions from the audience? Hearing none the Chair would accept a motion of whatever --

MR. ANGELIDES: Moved.

MS. HAWKINS: Seconded.

CHAIRMAN WALLACE: Moved by Mr. Angelides, seconded by Ms. Hawkins. Any discussion on the motion? Seeing none, secretary, call' the roll.

MS. OJIMA: Thank you. Mr. Angelides?

MR. ANGELIDES: 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. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-18 has been approved.

CHAIRMAN WALLACE: Resolution 99-18 has been approved.

The next item, Dick.

RESOLUTION 99-19

MR. SCHERMERHORN: Our next request, Mr. Chairman, is a final commitment request. You may have noted, this is a little unusual, there's no first mortgage debt on this project. It's a special needs project in San Francisco that the locality is very supportive of and on page 835 in the Board package is the listing of the locality involvement funding on this. It aggregates to -- Probably the better picture is the Sources and Uses one on page 845. The aggregate of those monies plus the tax credits coming into it constitute in effect a total funding for the project.

The locality funds are all residual receipts and they came to the Agency requesting a bridge loan for this particular project so that they could leverage up some additional tax credit equity into the project. That bridge loan request is for $1,781,250 at a one percent interest rate over a five year period. We're handling this as a special needs project since its target audience qualifies for our special needs support financing on this. We're writing down the interest rate on this bridge loan to accommodate this.

The project in question is located at 864 Ellis Street in San Francisco, 25 studio units, the building is scheduled to undergo substantial rehab. It's going to serve a special needs population of homeless youth and emancipated foster youth and the sponsor for this project is the Tenderloin Neighborhood Development Corporation. And here for a little more detail on the project, Mr. Warren.

(Video presentation of project begins.)

MR. WARREN: As Dick indicated, Ellis Street Project is located at the upper end of Ellis Street near Van Ness. This is the westerly view. The building was constructed in 1911 and is five stories with 24 units. Of main concern to us was the seismic status. This is an unreinforced masonry brick building, or UMB designation, which can impact a number of properties in San Francisco given when they were constructed. Our concern had to do with the seismic issues.

The building, given its length here, is seismically safe for any motion along in this area. For motion that goes back and forth there had to be significant bracing. So these charts from the engineer indicate -- These are bracing schematics that on the side of the building and the interior walls these bracing configurations will be put in to dampen out any seismic damage. As I said, the main concern is in the front part of the building so this triangular bracing scheme will be used. The engineers feel that in the event of a major earthquake, a magnitude 7, that there would be only moderate damage, and in the event of an earthquake with magnitude 8 that the damage would be noticeable but the building could be repaired.

Another view from the other side of the building. You can perhaps see there's fire damage. Prior to purchase by TNDC there was a fire on the third floor which damaged a number of the units in the front part of the building. There's a better example of some of the fire damage. This facade area here after the rehab will be modified and updated. Approximately $90,000 per unit is being dedicated for the rehab. This is the view down Ellis Street. The area is primarily commercial. Other small, residential areas. The sponsor does most of their work in the Tenderloin. This is actually closer to the Van Ness redevelopment quarter so it's a little bit out of their area.

This is the first floor. These will all be opened up and the first floor will contain a handicapped unit, management offices, community rooms and laundry facilities. This is the original boiler from 1911. This will be replaced with new steam heat boilers. This is an example of the fire damage. There was no significant structural damage because of the fire, although the floors above the third floor here were weakened and will have to be rebraced. Again, more of the fire damage to the third floor.

One of the aspects that the sponsors want to do on this is to keep some of the original cabinets and mantles for the properties. Many of these are in very good shape and will be rehabbed. The radiators will be kept if they elect to go with steam heat. These floors here are the original hardwood floors and by and large they're in good condition and will be sanded and kept. An example of the kitchen cabinets that could be saved. The flooring down in here in the bottom will also be replaced.

These are foldout Murphy-style beds. This whole door swings open and the beds are hung up here and then fold down for use. Typical kitchen, these will all be rehabilitated. In this case this cabinet here is probably too far gone to be saved and these will be replaced with new units. This is a very typical hallway. As you could see from the earlier pictures it's very long and narrow. Each unit will now be fire-sprinkled with new fire sprinklers into the units themselves.

(Video presentation of project ends.)

MR. SCHERMERHORN: The occupancy restrictions again are overlapping on this project but the most affordable restrictions, both in depth and time, are the ones that would predominate in this case and that would be the tax-credit restrictions. That's 100 percent of the units at an average of 35 percent over 55 years.

The environmental issues, Linn has already talked about the seismic concerns. The environmental reviews identified the possibility and potential of both asbestos and lead-based paint. The project sponsor is aware of those, appropriate remediation plans and/or clearances need to be in place satisfactory to the Agency. There is a relocation issue in the project resulting from a suit from a former tenant. The Agency's position would be that the bridge loan would be conditioned upon TNDC arriving at a satisfactory settlement of that litigation and with a release of all claims acceptable to the Agency. There is not an Article 34 issue on this particular project

The sponsor, as I mentioned earlier, is Tenderloin Neighborhood Development Corporation. They have been active in the affordable housing arena in San Francisco since the early eighties. They have a successful track record and they will also self-manage the project. With that we're recommending approval of this transaction, be glad to answer any questions.

CHAIRMAN WALLACE: Dick, particularly for the benefit of the new Board Members, give us a broad, brief definition of Special Needs. We've got two of them today.

MR. SCHERMERHORN: Yes. The Special Needs Program is one in which when we developed the program we were trying not to create such a fixed box that it would not entertain creative and needed proposals from the street. But essentially the basic litmus test is that they need to be, it needs to be a project that is addressing the low-income, a very low-income population that requires some form of supportive services.

And with that basic, we've had a variety -- As those who have been on the Board know, we've had a variety of proposals and we will be getting more variety of proposals that are identifying what kind of support services are needed. We've done them from AIDS-supported housing on now through emancipated youth, involved in this particular project. That's basically what we're dealing with.

CHAIRMAN WALLACE: Thank you.

MR. MOZILO: Dick. Excuse me, I'm sorry.

CHAIRMAN WALLACE: Yes, Angelo.

MR. MOZILO: Dick, just for curiosity sake. This loan is recorded, I assume.

MR. SCHERMERHORN: Yes.

MR. MOZILO: Okay. How do you record it? How do you lien the first position?

MR. SCHERMERHORN: Well, are we going to record this one? We are going to record it but we're taking the --

MR. WARREN: Yes.

MR. SCHERMERHORN: -- the tax credit, right?

MR. WARREN: This will be a first lien on the property above all the financing that you see for a five year period for the bridge loan so it will be a first lien mortgage. In addition to that we'll take an assignment of the tax credits from the borrower so in the event there was a foreclosure we would acquire the property as well as the rights to the credits which we would then resell. But our requirement was that even though it's a five year bridge loan we would be in a first lien position.

MR. MOZILO: Okay. So it will be -- Even though it shows here as suspended in air someplace it is in fact a first mortgage.

MR. WARREN: It's a Deed of Trust on the property.

MR. MOZILO: Okay.

MR. WARREN: Yes, sir.

MR. MOZILO: Thank you.

MR. SCHERMERHORN: On the bridge loans, though, we normally are more concerned with the tax credit, locking up the tax credits if anything goes wrong in these transactions. In this case we have an opportunity to first lien also.

CHAIRMAN WALLACE: Mr. Hobbs, then the rest of you.

MR. HOBBS: Thank you, Mr. Chairman. Just a Eollow-up to the previous question. What percentage does the general partner own of the tax credits?

MR. SCHERMERHORN: I'm sorry, what percentage is what?

MR. HOBBS: Does the general partner own of the tax credits?

MR. SCHERMERHORN: Does the general partner own?

MR. WARREN: Generally one percent.

MR. HOBBS: The language on the assignment raised a question. It talks about the --

CHAIRMAN WALLACE: Where are you, Ken?

MR. HOBBS: The first page on the analysis, page two.

MR. WARREN: Oh, I understand your question. It's an assignment by the partnership so it would be all the credits and not just the general partner's, as I understand the question.

MR. SCHERMERHORN: Oh, okay.

MR. HOBBS: Which is what I assumed but the sentence was not --

MR. WARREN: No, we would ask for more than one percent.

MR. HOBBS: -- was kind of left dangling.

MR. WARREN: No, it is the entire credit award.

CHAIRMAN WALLACE: Mr. Czuker.

MR. CZUKER: Thank you, Mr. Chairman. I have a question regarding pages 846 and 847 related to the cash flow of the property. And even at the one percent level can you show us where I can find how this property is able to support the loan proposed.

MR. WARREN: The loan will be repaid from --

MR. SCHERMERHORN: It's paid from the tax credits being paid in, not from the cash flow from the property.

MR. CZUKER: I see.

MR. SCHERMERHORN: We're fronting for the tax credits and we take the payment of tax credits as they come in.

MR. CZUKER: And generally you're assuming then a delayed pay-in of the tax credits to accommodate the five year period as opposed to what would be more typical of a one to two year pay-in.

MR. WARREN: The delay of the tax credits will leverage up approximately $360,000 additional tax credit proceeds because of the delayed pay-in. So we're bridging to bring in more equity for the property.

MR. CZUKER: Thank you.

CHAIRMAN WALLACE: Phil.

MR. ANGELIDES: Yes, just a quick observation on the staff report. On page 836 there's a reference to the fact that under the previous tax credit allocation system, which was a lottery, this project would have been assured and under the new system that's not the case. Actually, let me make two observations. Under the old lottery system, given its nature, it wouldn't have been. But just so the Board knows, under the regulations that will be taken to the Tax Credit Allocation Committee June 3rd, the SRO set-aside is going to be proposed by our staff for retention.

CHAIRMAN WALLACE: You mean, Phil, this would fit into a special category.

MR. ANGELIDES: Yes. Let me just put it this way. There was no assurance under the lottery system, there's no assurance under the new system.

CHAIRMAN WALLACE: Sure.

MR. ANGELIDES: But the new system is what I'd like to consider a merit-based or policy-based point system, but it's still going to retain some set-asides.

CHAIRMAN WALLACE: So this wouldn't be competing with every other tax credit --

MR. ANGELIDES: No, there's going to be a statewide set-aside of, I believe the same percentage that existed in the last round.

CHAIRMAN WALLACE: Thank you. Bob.

MR. KLEIN: Do you know what the tax credit price is? And by the way, it's certainly a laudable project, it looks like the security interest is well-structured. I'm just asking what the nature is of the pricing. Is it 80 cents? Where are they?

MR. WARREN: We haven't received that pricing yet. I'm saying 80 cents, from what I recall may be a little high, Mr. Klein, but they have not completely priced us out yet. The bridge loans were set up, I think at or around that number, to estimate what the leveraging factor might be but they have not finalized negotiations with the investor yet.

MS. HAWKINS: Mr. Chairman.

MR. KLEIN: I think that it would be helpful if we could see what the pricing is. The competition in credits is now leading people, even paying 80 cents, to do 90 percent advance rates. A part of it being in a bridge loan that they're financing. I think in this particular case with special needs the pricing may be impacted significantly by the special needs and we need to differentiate that, but it would be helpful in the future to know what the pricing is so we can quantify the benefit.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Carrie.

MS. HAWKINS: Yes, and I'll confirm that because I'm involved in another transaction and we're getting 80 cents on this kind of a structure.

CHAIRMAN WALLACE: Okay, any further questions?

MR. ANGELIDES: I'd like to move the project for approval.

MR. HOBBS: Second.

MR. ANGELIDES: A motion by Angelides, second by Hobbs. Any discussion on the motion? Hearing none, secretary call the roll.

MS. OJIMA: Thank you. Mr. Angelides?

MR. ANGELIDES: 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. Hobbs?
MR. HOBBS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Ms. Nevis?
MS. NEVIS: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: Resolution 99-19 has been approved.
CHAIRMAN WALLACE: Let the record show that Resolution 99-19 has been approved. The Walter House.

RESOLUTION 99.20

MR. SCHERMERHORN: Yes, Mr. Chairman. This is another special needs project request for -- And we're treating this as a HAT Loan because of the size of the transaction. Although it is a 15-year term first mortgage of $350,000 at an interest rate of 1 percent we would propose to finance this from our Housing Assistance Trust Fund. It is the Marin Walter House Group Home located in Novato in Marin County. And the explanation of this, probably it's best to see it.

(Video presentation of project begins.)

MR. WARREN: The Cedars of Marin, who is the project sponsor for this, have been around in various forms for approximately 80 years.

CHAIRMAN WALLACE: Linn, pull that just a little closer if you please.

MR. WARREN: For approximately 80 years. One of the components of their buildings that they produce are group homes and they have approximately six of them in Marin Zounty. This is one of them here on Novato Boulevard and the proposed site for the new group home will be in an area sehind this. What The Cedars try to do is develop these homes within the residential communities in Marin as a place for developmentally disabled adults. Again, here is the entryway to the property. As you can see, once the project is built it will fit nicely into this residential neighborhood.

The proposed site is approximately 10,000 square feet. Once the home is constructed it will have seven bedrooms. Six will be dedicated for the residents. Here is an example of the configuration here. These bedrooms here sill be for the developmentally disabled adults. Common area, kitchen areas in here, and then the site manager or resident manager would be living in here. The garage is designed so that vans can pull into the garage and it will be handicap accessible here and in the main entryway.

During the day the adults that are residing here will spend their time -- This is the Ross Campus, The Cedars' main campus, where they maintain a number of their programs. These programs have to do with independent living, some job skills and recreational facilities. The Cedars has a budget of about $4.3 million a year, they have a staff of over 100 people and serve approximately 200 developmentally disabled adults in their programs in Marin.

(Video presentation of project ends.)

MR. SCHERMERHORN: This is a Special Needs project that is identified for developmentally disabled adults as Linn mentioned. The borrower is contributing $180,733 in cash to this particular project. The occupancy restrictions, 49 percent of the units we would restrict to 50 percent or less of median income and HUD is requiring a deed restriction limiting the future use to affordable housing also as a condition of the lot split. We would need appropriate Article 34 legal opinion. The Cedars of Marin would be the borrower in this case. They are experienced with this type of product and they will self-manage the group home.

As our multifamily proposals go this is really a small one but it is in our view an important one within the category and for that particular community. And we're recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: For Marin County that's maximum density, isn't it?

MR. MOZILO: I make the motion to approve.

CHAIRMAN WALLACE: It's a big project.

MR. HOBBS: I'll second that motion, Mr. Chairman.

CHAIRMAN WALLACE: There's a motion by Mr. Mozilo and a second. Was it Hobbs?

MS. OJIMA: Yes.

MR. HOBBS: Yes, sir, with just a comment that staff could not beat the local municipality around the ears to participate in this one either. But we will in the future, right?

MR. WARREN: (Nodded).

MR. HOBBS: That's good enough.

MR. WARREN: Okay. Just the way the funding source is -- As Dick indicated in the funding source, this is at the request of an individual for this type of program and the balance of the funds will come from their subsidies.

MR. SCHERMERHORN: From a staff effort standpoint --

MR. HOBBS: I really didn't need an answer, I just wanted to get my --

MR. SCHERMERHORN: It was more economical to go this way.

MR. HOBBS: I second, Mr. Chairman.

CHAIRMAN WALLACE: There is a motion. Terri, you wanted to comment?

MS. PARKER: Yes, I just wanted to say one thing, Mr. Chairman. I just wanted to compliment our staff, particularly Kathy Weremiuk who works for Linn and Dick, who bring these special projects to us. They are really some of the most complex and difficult to do, as you can see, of all the ones. Each one of these are very unique and very different and we're very excited about having CHFA being involved in producing these and hopefully to help stimulate the market to also get involved in this particular area. So I really wanted to recognize Kathy and her hard work. Kathy is here.

MR. HOBBS: The market and the local agencies --

CHAIRMAN WALLACE: Kathy, you want to stand up, we'll acknowledge you. Not easy, right?

MS. WEREMIUK (FROM THE AUDIENCE): No, very hard.

CHAIRMAN WALLACE: For the dollar volume the amount of work probably exceeds some of the ones with the big dollar volume.

MS. WEREMIUK (FROM THE AUDIENCE): They're more complex than anything else that we do because of the multiple funding sources and also because the (inaudible).

CHAIRMAN WALLACE: If I recall this is about our sixth special needs project in the last two to three years. We did the prison guard one up in Sacramento a couple of years ago.

MR. SCHERMEFWORN: That's pretty good, that's about right.

CHAIRMAN WALLACE: And I know we all feel good about being able to do something special here. So congratulations to Kathy and all the rest of you. Having said that, if the motion doesn't pass we'll take an early flight home. Any further discussion on the motion? Hearing none, secretary, call the roll.

MS. OJIMA: Mr. Angelides?

MR. ANGELIDES: 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. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-20 has been approved.

CHAIRMAN WALLACE: The Board has approved Resolution 99-20. I'm going to ask Vice Chairman Carrie Hawkins to chair Item 5. Carrie.

MS. HAWKINS: Thank you, Mr. Chairman. Item number 5, we have a presentation on the request for an amended final commitment.

RESOLUTIONS 99-21 & 99-22

MR. SCHERMERHORN: Yes, Madam Chair. Most of you may recall these two transactions from the last Board Meeting. They are conduit financings in which the Agency would be the issuer of the tax-exempt bonds to be secured by a Fannie Mae mortgage-backed security. It came to us because we had one of the projects in a jurisdiction in which there was some community concern which we investigated, reached agreement with the locality. The locality was accepting of the additional affordability requirements that we were imposing on the project as a result of our processing to consider it. Also, it's a multi-jurisdictional issue because there's two projects, one in Ventura, one in Fullerton. It's more economical to do them as a package and we as a state issuer can handle that easily.

The Board approved the tax-exempt financing for these transactions. When the sponsors and the players took a closer look at the financial structure because there's a reliance upon taxable, and also in the wake of the fact that when these transactions went before CDLAC for approval the amount of tax-exempt authority was reduced on the two projects it required some additional taxable financing considerations.

The sponsors came back to us following the last meeting and indicated if it was possible for the Agency to do as we do in other transactions, do the package of both the tax-exempt and the taxable financing, it would be more cost effective. Hence we agreed. We have brought the proposals back and the essence of the request is to get approval for the taxable components of these two transactions to be initially financed by the Agency to also be secured by a mortgage-backed security from Fannie Mae.

Now, we recognize that the tax-exempt portion of this is very close to the margin and this is one that we have flagged the players in this that this needs to be thoroughly reviewed that in fact they are going to qualify for tax credits in this particular transaction. But we did not do a full underwriting. We did a due diligence on the underwriting that was done by ARCS Mortgage. We did make our affordability requirements in place and we are satisfied with the form of credit. That being the Fannie Mae security which holds the Agency financially harmless on these transactions.

So we're proposing that the Citrus Tree Apartments and the North Hill Apartments, that the taxable component of those transactions be financed under those conditions by the Agency. In the case of Citrus Tree it's in the amount of $1,260,000 and in the case of North Hills it's $4,450,000. And we'll be glad to answer any questions or go into any additional detail on this if anyone cares to. With that we're recommending approval.

MS. HAWKINS: Yes, Mr. Czuker.

MR. CZUKER: Yes, thank you. I'm in support of your restructure but I just would like to ask an interest rate question in clarification. And that is, it looks like the warehouse line interest rate is very close to the market at the 7.2 percent, but conversely the 6.5 percent Fannie Mae is actually very high relative to today's market. So I'm just curious if you could have -- While I support everything that you're doing here I was wondering if someone could comment on where we're giving ourselves cushion and where we're playing it pretty close to the line on interest rates.

MR. SCHERMERHORN: Well, the interest rate considerations are between the sponsor and Fannie Mae. It's there. Although we have looked at this—and you're right in terms of where those rates are relatively. Since Fannie Mae is taking the financial risk on this and the project with it, the ultimate decision as to what that interest rate would be in that transaction is going to be between them. This is our due diligence on the conduit. As long as those interest rates are not unreasonable in the transaction then we have not raised a red flag with them about it. And the tax-exempt rate depends on how you finance it as to whether or not that's, you know, whether that's high or in the ballpark right now.

MS. HAWKINS: Mr. Klein.

MR. KLEIN: On page 3 it appears that the tax-exempt rate is the 5.55, they have a 90 basis point credit enhancement. It appears they have classed this as a Tier 2 deal, which is why they're at 90, but I think they're just adjusting their Tier 2 credit enhancements down so they may actually get a break here when they go to market. It appears that they've hedged their rate somewhat so that when they get the underwriting approval if they go to the market and the rate is raised that they do have a cushion. I think that's their normal practice that we're seeing here, but that's only an observation by past underwriting practices I've seen.

MS. HAWKINS: Any other comments or questions?

Hearing none may I have a motion.

MR. HOBBS: Madam Chair, do you want a motion for both? There are two resolutions.

MS. HAWKINS: I think we took them separately last time. Isn't that correct, counsel? Did we vote on them separately?

MR. BEAVER: Yes, I think we did and I think that's the cleanest way to do it.

MS. HAWKINS: Okay, thank you. Okay, may I have a motion on Resolution 99-21 first.

MR. CZUKER: So moved.

MR. HOBBS: Second.

MS. HAWKINS: It's been moved and seconded. Any additional questions? Any comments or questions? Hearing none, may we have the roll, please.

MS. OJIMA: Thank you. Mr. Angelides?

MR. ANGELIDES: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Did you call? Aye.

MS. OJIMA: Thank you.

MS. HAWKINS: All right. Okay, Resolution 99-21 has been unanimously approved.

MS. OJIMA: Correct.

MS. HAWKINS: May we now call the roll on Resolution 99-22.

MR. HOBBS: Madam Chair, if Mr. Czuker's motion --

MS. HAWKINS: I'm sorry, not the roll, we need a motion first.

MR. HOBBS: -- was for both I'll second his motion.

MS. HAWKINS: Okay, it's been moved and seconded. Any questions or comments?

MR. CZUKER: I just want to commend staff for this type of business. I think the fact that CHFA has now gotten involved in facilitating transactions as an issuer, at no risk to CHFA because of the Fannie Mae AAA credit, is a way to encourage and create new affordable housing without putting at risk CHFA's balance sheet, at the same time securing the monitoring and compliance with additional, new creative affordable housing. So I want to commend the staff and the Agency for moving in that direction and see this as a valuable service that CHFA is now engaged in.

MS. HAWKINS: Thank you, Mr. Czuker. Seeing no other hands going up may we have the roll.

MS. OJIMA: Mr. Angelides?

MR. ANGELIDES: 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. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. HAWKINS: Thank you. And I now turn the chair back over to our Chairman.

CHAIRMAN WALLACE: I accept. I said we were going to break at 10:30, I would rather keep going. I'll take the privilege of the chair because I know certain members have to leave early. It's important to me to have, and I think to the Agency, to have as much exchange of information, particularly on the Business Plan, as possible. So with that -- And further, the Secretary is on the premises or on the way, Donna?

MS. CAMPBELL: (Nodded).

CHAIRMAN WALLACE: But I would rather have her come in and not find us out at the pool having our picture taken. So with all those things in mind, with your permission I would like to jump right into the Business Plan if you are ready.

RESOLUTION 99-23

MR. SCHERMERHORN: I am always ready.

CHAIRMAN WALLACE: If you insist. Okay, kid.

MR. SCHERMERHORN: Terri, did you want to do any?

CHAIRMAN WALLACE: Yes, I'm sorry.

MS. PARKER: Mr. Chairman, I basically submitted a letter to you which accompanies the Business plan and I think in that I articulated how excited we are with this plan. It's a slight reduction from the very ambitious and aggressive plan that we had last year and we continue to believe this one is also ambitious and aggressive.

We have been very successful, actually, in exceeding our goal. In Single family we want to continue to push the envelope in that. Multifamily, except for the taxable entree into the preservation side where we had no success we've essentially pretty much accomplished what the other parts of our Business Plan projected us to do. And Mr. Schienle has been very successful in breathing significant oxygen into his insurance program from the standpoint of we are seeing the demand for that continue to grow every day.

I think the one thing that the staff would comment, and I'm sure Dick is going to go through his presentation is, we do not see this as static. We will be continuing throughout the year to be looking at ways, particularly in the areas of preservation, to deal with that because of the important public purpose and the needs for the State of California. And to the extent that we can be successful with creating new and additional ideas in that area we'll be bringing them back to the Board to essentially have them onsidered as amendments to our Business Plan. And with that I would turn it over to Dick.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Because the Treasurer may have to leave before the end of the session if I could raise one point in reference to the first project that was discussed that did not have a bond allocation. As it may relate to the business plan it may be relevant to discuss. And that is that CHFA theoretically would have the ability to do a taxable bridge loan if there were an induced resolution in place and preserve the tax credit eligibility of a project like the first project we discussed.

If in fact the Treasurer's Office and CDLAC were to adopt a policy, which has been discussed but I don't know the status of it, whereas projects that are not getting allocations this year because of shortfall would be getting allocation preferences at the beginning of next year. The sponsor would have to undertake a certain risk in that. CHFA would have to take a certain risk. We'd have to feel strongly about the project. But I'd like to at least put the issue on the table because there's a lot of work being put into project or projects that may just have no chance of real allocation in June because of the shortage.

CHAIRMAN WALLACE: Isn't this an ever-present problem, though?

MR. SCHERMERHORN: Yes.

CHAIRMAN WALLACE: We have to approve ours, and we do so subject to the tax credit allocations. And they sometimes have to get deferred.

MR. SCHERMERHORN: Yes. The requirements for consideration over there do require an agency commitment to be considered in that process. And yes we do caveat it and appreciate the suggestion, Bob. We do on a regular basis look at these projects in terms of, if they don't get some allocation that is essential in the consideration we bring here what are the viable options that we might consider. We would address that if in fact those kind of considerations fall out. So it's a valid way to go from a consideration standpoint and we would want to talk to the sponsor about that if in fact the deal as it's presently presented does not materialize that way. We would certainly --

MS. PARKER: And we would bring that back to the Board.

MR. SCHERMERHORN: And we'd bring it back to the Board because the considerations would change.

CHAIRMAN WALLACE: Well, it's somewhat analogous to what we just did on the two conduits.

MR. SCHERMERHORN: Correct.

CHAIRMAN WALLACE: They came back when the game plan changed. The game plan changed a little and we still want to make the deal. But it is a good point, Bob, I agree with you, and it's heartening to hear that the staff is looking at it that way.

MR. KLEIN: Well, I appreciate the staff is always very creative and talented in looking at the options. I thought it might be appropriate for staff to be able to evaluate those options to know what the Treasurer's Office is thinking in terms of projects that don't get an allocation this year but otherwise are ready for an allocation.

MR. SCHERMERHORN: Okay.

CHAIRMAN WALLACE: Okay.

MR. ANGELIDES: Just a quick observation. We're right now, in fact it's in my briefcase somewhere, there is a memo to me that talked about how we ought to construct the year 2000 plan and I think you make a valid observation. To the extent it does have provisions in it that would allow CHFA to make bridge loans in advance is something worth looking at. So I think what we'll do as soon as we have some ideas on the table in the next three or four weeks is share :hem with CHFA. And to the extent that there is any :arryover, and I can't tell you there will be right now.

MR. KLEIN: Right.

MR. ANGELIDES: What you suggest makes some sense.

CHAIRMAN WALLACE: There is some precedent, Phil, tor carryover which we got six, seven years ago and used very effectively. Not that that's going to be the case now, but we're available. Okay?

Let's go into the Business Plan, Dick.

MR. SCHERMERHORN: Yes, Mr. Chairman. This presentation is not intended to replicate the detailed information that you have in the Board package that came to you. What I thought would be helpful because there are a couple of substantive and significant considerations for the Board in our proposal on the Business Plan is to go through quickly the Agency's method of operation, what our objectives are, what the program objectives are and what the key proposals are in the Business Plan, and they affect both single and multifamily.

The primary objectives of the Agency: As California's affordable housing lender we were created effectively as a bank. We operate as a bank. We have two objectives because of that. One is public purpose, that is to provide affordable housing opportunities for low and moderate income individuals and families, that's both home ownership and rental opportunities. And because we are a lending institution we have fiduciary responsibilities. We need to maintain investor confidence in order to keep our ratings up, to get the best possible rates on the street that can translate into the most affordability in the projects and in the homes.

We run self-sufficient operations. We have no sovereign immunity, therefore the credit risks that we take are the Agency's, and there are no appropriations to support the operations of the Agency. So here we are, the State's bank. And we operate that way. We source our funds from the securities market. We translate that into lendable funds for multifamily projects and single-family homes.

In single-family we operate as a wholesale lender. We are like a Fannie Mae or Ginnie Mae. We are taking loan proceeds and making it available to a lender network of primarily mortgage bankers, and we have some 40 to 50 lenders out on the street with over 500 offices serving the state. We have a mechanism that provides takeout funds for that lender network so that they can originate within their organizations single-family loans that we purchase.

We are not involved in the credit underwriting of single-family loans. The lenders at the street level do that and they do that consistent with the terms of the mortgage insurance that covers our loans. Our loan requirement is that all loans are insured and the three primary insurances that we use are FHA and VA, which comprises more than 80 percent of our portfolio, the remainder is with CaHLIF, with John Schienle's shop.

So, with that basis of operation as a wholesale lender, single-family programs has the following objectives inherent in the Business Plan. First off, we are trying to provide an alternative resource in the marketplace and that is a below market, fixed rate home loan for very low, low and moderate income borrowers. And at the same time we're trying to maintain fund availability for that first objective 365 days a year and we've set up a process to achieve that.

We're also trying to achieve equitable distribution of loan funds statewide. And those Board Members who have been with us for a while you'll know that this has been an interesting challenge for the Agency to work with over the past number of years.

When I came to the Agency our utilization of CHFA resources in—as an example Los Angeles County, which is the most difficult one for us to do penetration on-was less than nine percent of our resources. Last year we had gotten it up to 14 percent and now this year we're at 21 percent. And you marry that up to the fact that LA County has as a share of the state population 28 percent, we're moving in very closely to meeting the equitable distribution.

That is the prime problem area that we have had in achieving equitable distribution. And we did that primarily by designing a product that worked in that marketplace as well as other under-served market places and that's our 100 percent loan program.

At the same time we're trying to balance the utilization of our funds between resale and new construction. Over the history of the Agency's lending we're about 51/49 percent favoring new construction. It vacillates somewhat from year to year depending upon .what happens in the marketplace. As an example, the past year has been heavily weighted towards resale activity and our numbers reflect that. We had a higher percentage -- At the beginning of the year we were about 63 percent resale, the remainder new construction. Since we did some restrictions on income limits the remainder of this six month period the balance is moving more, we'll probably end up somewhere around 58 to 59 percent resale and the remainder at new construction for this past fiscal year.

The other major single-family objective we have is to maximize the finite resources we have to work with in making our programs work, and that is primarily private activity bond allocation. We are currently making $3 to $4 in loans for every $1 of private activity bond allocation that we are receiving. That has enabled us to achieve -- The business plan had $900 million as our goal for loan purchases for this fiscal year, we are going to exceed that. We've had not only the benefit of leveraging but market conditions have been particularly favorable for us this year to use re-fundings and taxable mixes in here. We will probably end up around $950 to $955 million as our purchase total for this fiscal year.

Now, the game plan for this coming fiscal year: The Governor has asked the Agency if it could achieve a production goal of $1 billion in single-family loan purchases. If we can do this, this will be a new record for the Agency. The Agency has never in one year purchased $1 billion worth of single-family loans. Now admittedly, in the scheme of real estate in California this is not much of a dot on the radar. However, it is incredibly important in the affordable housing market. We consistently get more demand than we have the availability of resource to respond to.

The challenge that we have, as I discussed with you all at the last Board meeting was, the private activity bond allocation that we have to work with at this point, based on the decisions that have been made by CDLAC so far, is about $215 million. From a leveraging standpoint we can't reach $1 billion with that level of private activity bond. Nevertheless, we are proposing this as a production goal because we have sat down and we think we have figured out a way to do both things, stretch the private activity bond allocation to its maximum and potentially achieve the $1 billion production level.

I'll just quickly touch on, in the plan, the mortgage assistance. That $5 million is from our Housing Assistance Trust Fund. It supports the second mortgage component of our 100 percent loan program. When we use up those funds in effect we kind of cap that activity. This past fiscal year there was $5 million in. We're going to finish almost on the money this fiscal year using the $5 million for 100 Percent Loan Program purposes. And as I mentioned earlier, a big impact was in increasing our penetration in Los Angeles.

Self-Help, I'll talk a little bit more later on but we're recommending a maintenance of effort of $2 million for that program for development loans. And it links with other players and I'll talk about that later.

How we have been doing our single-family programs in term of rate structure is, this little matrix will give you the flavor and the picture of how we do this. What we have been trying to do is maintain about a 100 basis point, fixed rate loan rate below a conventional market rate. And for us the conventional market rate index is the Fannie Mae 60 day rate plus the servicing cost.

So as an example—this is not where we're at exactly on the street today—but if the street rate for Fannie Mae were somewhere between 6.25, 6.5, we would set our base rate, let's say, at about 6.5 percent. Which means that on a statewide level for the Affordable Housing Partnership Program—the one with localities which we'll cover in more getail—that gets a 25 basis point preferential. So statewide 5.5 for our standard rate for new construction resale product, 6.25 for an AHPP. In the high-cost areas, which stretches the coastal counties from Marin to San Diego, we have a preference rate to offset the higher costs there at 25 basis points below our statewide rate. So it would be 6.25 for new construction resale and 6 percent for the AHPP loan.

What we're proposing to do is to build on that and target our interest rates to income groups. Take the same scenario of 6.25 if 6.5 percent is Fannie Mae's rate today. We would set the base rate, again, at around 6.5 but we would bifurcate it, and we would go on either side of it and set a 6.75 rate for those borrowers whose income are above 80 percent of median. And for those 80 percent of median and below we would go with a reference rate of 6.25. The AHP Program would be eligible for a preferential rate statewide; the 25 basis point preference would take it to 6 percent. But that would not be available above 80 percent of income.

And then you take that chart down the high cost area. Then the 25 basis point preference still is in play so it would lower the statewide from 6.75 to 6.5. AHPP is not available for moderate, and the low-income rate then would be 6 percent and 5.75. Yes, sir.

MR. ANGELIDES: Just a quick question. So functionally at the moderate income you're 50 basis points off the market.

MR. SCHERMBRHORN: No, I'm 25.

MR. ANGELIDES: You're 25 points off the market.

MR. SCHERMERHORN: There's a 50 basis point split between the rate on a moderate and a low-income but what I'm doing is I'm bracketing our benchmark rate against the market. So if Fannie's rate today is 7.5 we set ours at 6.5. I'm bracketing the 6.5. And the reason for doing that is we don't have --

MR. ANGELIDES: So you're 75 basic points off the market.

MR. SCHERMERHORN: Oh, I see what you're saying, I'm sorry. Yes, in the moderate we're 75 below the market rate and then we're 125 for the low-income below the market rate.

MS. PARKER: Dick, another way to say this is that basically we have tried to create, using the benefit of the private activity bond and the tax-exempt nature of that, to push the rates for 80 percent and below. And the taxable that would help stretch, we are essentially using that for moderate incomes.

MR. SCHERMERHORN: Yes, I was going to get to that.

MS. PARKER: It's essentially pushing all the public benefit into the lower income limits.

MR. ANGELIDES: Well, not all.

MS. PARKER: Well.

MR. ANGELIDES: But a good piece of it.

MS. PARKER: Right.

MR. ANGELIDES: Yes. Can I just ask one follow-up question on that?

MR. SCHERMERHORN: Sure.

MR. ANGELIDES: The income limits on moderate are 100 or 120?

MR. SCHERMERHORN: Are 100.

MR. ANGELIDES: One hundred.

MR. SCHERMERHORN: We use --

MR. ANGELIDES: Of county median or statewide?

MR. SCHERMERHORN: We deliver our product at -- We use the tax law requirements which is, in the case of 100 percent of median for a family of 1 or 2, and then a family of 3 or more there's a 115 percent calculation that can be done. We've been using the higher of statewide median or the county, whichever is higher. The accounting that we have been doing, however, has been done based on the family size structure, family unit.

We looked at that back some time ago when we were putting the over-the-counter system in and it is administratively cumbersome with our lender network to try and do all these family size considerations. It increases their workload, increases our workload. And since they also use other tax law, they get program activity also using the same tax law stuff, we've decided to go with that mechanism. We still, because the lenders are more concerned with getting their borrower profiles into our more favorable rates on these, we've been getting a good spread from those counties that we are serving that are meeting not only the statewide test but the county tests.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Are you using the higher rate on the moderate as a markup to essentially subsidize and create a lower rate for the low-income?

MR. SCHERMERHORN: No, what we're doing here is -- As I indicated, we don't have enough private activity bond allocation to do $1 billion. So what we're going to do is use the private activity bond allocation to support, if you will, the low-income, which we can tap the tax-exempt market for, and we'll go to the taxable resources to do the above 80 percent. So --

MR. KLEIN: So they're segregated cash flows? Your moderate rate is not subsidizing with its markup the low-income at all? They're totally segregated cash flows?

MR. SCHERMERHORN: No. No. What we're trying to do -- The objective is and it has been, with the resource we have how can we take our cost of funds and cover our operations and then pass on the rate savings, et cetera, to the borrower. That's the ongoing objective. And that is inherent in here. We're still trying to cover our costs and then pass the rate savings on. So it's not an issue of the higher rate subsidizing the lower because of how we're now splitting out the sources to fund it.

CHAIRMAN WALLACE: Angelo.

MR. MOZILO: Dick, I have two questions. One is, what is the limitation on the three to four times leverage? What is that based upon?

MR. SCHERMERHORN: If we go into CDLAC and get a private activity bond allocation, and say it's $215 million. One way you could run the program is just put it on the street dollar for dollar. That's what we've got, it does $215 million of activity.

What we have done is we take that dollar of activity and by blending it—putting out a bond issue that has a mix of recycling past funds that have been utilized, the loans are paid so we have the authority back again and it doesn't require new allocation—by blending that authority, the ability to issue those bonds, and blending in a taxable component to the bond structure, we take that $1 that we get from CDLAC and we're able to issue a bond, instead of for $1 million we can issue it for $3 to $4 million.

MR. MOZILO: So the answer is you don't really have the ability to leverage built into the program, you're doing it through creative means.

MR. SCHERMERHORN: Yes, from the financing, right.

MR. ANGELIDES: Can I ask a follow-up related to your question. Which is, so it's a combination of tax-exempt, the recycle and the taxable.

MR. SCHERMERHORN: Correct.

MR. ANGELIDES: And just out of curiosity—I'm sorry, Angelo, but this is relevant to your question.

MR. MOZILO: All right.

MR. ANGELIDES: Which is, how much recycle authority do you have kind of on an annual basis flowing in? Of the mix how much is recycling old tax-exempt?

MR. SCHERMERHORN: It differs from year to year because it depends on what activity was done. But the profile is our recycling capability is going to start dropping off dramatically after next year.

MS. PARKER: Yes, but we have a window of opportunity that we have been using and can use. But I think if you look at the Business Plan and our assumptions about private activity bond the ability for recycling is diminishing. Which in order to be able to do production like that in the out years we will need more private activity bond. We will not be able to sustain the level of leveraging that we have been doing.

In fact, I think the most recent reports we have shown you, and, Ken, you can add to this. As recent as three years ago we were in the $1.75 range and moved into the $2-plus and have been in the $3 range last year and moving into this year. So we have a window of opportunity that will diminish.

MR. ANGELIDES: Sorry, Angelo.

MR. MOZILO: No problem.

MR. SCHERMERHORN: Our Director of Financing, Ken Carlson, could answer your question, Phil.

MR. MOZILO: Ken, do you want to add to that?

MR. CARLSON: I don't have too much to add. But the amount of authority that we have that we can recycle from prior years is going to start dropping like a stone in a couple of years. A federal tax law was passed in 1988 that makes it impossible to recycle after ten years have gone by. So all the proceeds we sold bonds for in 1989 and later, those are starting now to feel this effect. So we will -- Throughout our Business Plan each year we will need more allocation to achieve the same level of activity just because we'll have a smaller dollar amount to recycle.

MR. MOZILO: To the extent that you have to use taxable then your blending gets messed up in terms --

MR. CARLSON: That's right.

MR. MOZILO: -- of at the higher rates you're less competitive.

MR. CARLSON: Right, we're trying to blend now with SO percent taxable and 50 percent tax-exempt, where the tax-exempt is roughly half new allocation and half recycling.

MR. MOZILO: And the only thing that could help us on a federal level is getting a greater allocation as a state.

MR. CARLSON: Either that or the elimination of the small change, what seemed a small change in the law back in 1988. If that could be redone we have some -- Our national council is apparently working behind the scenes to try to influence the Ways and Means Committee to sneak something into the legislation if there's a tax bill this year. We don't know if that's going to occur.

MR. MOZILO: Dick, the only other question I have is on the component on the Fannie Mae. You use the Fannie Mae rate as the base plus the servicing fee. What are the basis points?

MR. SCHERMERHORN: We add 25 basis.

MR. MOZILO: Twenty-five basis points. I know that's the minimum set by Fannie Mae but that's going to come under attack, so it's very possible that that servicing fee could be zero. What happens to your calculation?

MR. SCHERMERHORN: We will take a look at what they end up as their index rate then and then we will look at that in terms of what it cost us to put our product on the street. And if we have to adjust that rate a little, that spread higher, say to 75 --

MR. MOZILO: You may want to watch that because that almost statutory 25 basis points appears to be crumbling. Because of the larger players being able to service for so much less money today that the 25 basis points creates excess profits. Fannie Mae is recognizing that as well as Freddie Mac and they may for the larger players reduce that down substantially, coming to about an 18 to 20 basis points average number.

MR. SCHERMERHORN: Okay.

MR. MOZILO: Going forward.

MR. SCHERMERHORN: Okay, all right.

CHAIRMAN WALLACE: Let me suggest to the Board Members: If you have a question if you'll direct it through the Chair, which you did, because we're, I hate to say this, kind of in the dark here and we are recording this for posterity. So I want to make sure that it registered through the microphones, okay. Dick, keep on rolling.

MR. SCHERMERHORN: Okay. So with the rate structure we think that we can address the two basic issues that we have in trying to make the single family program work this year. The limited amount of private activity bond allocation available and the production goal that the Agency has been requested to achieve. We have players in all of this that help us.

I mentioned Affordable Housing Partnership Program. For those who aren't familiar with it, we give a rate preference to those borrowers who come in with a second mortgage loan that is being funded by a locality or a qualified nonprofit. Century Housing participates in this program and it's been quite successful. So far we have about 100 localities and nonprofits who are participants providing second mortgages to our first mortgage loan.

We are also in a partnership with the Rural Development Agency, formerly known as the Farmers Home Administration. They also have increased their attention and interest in providing second mortgage assistance for borrowers in their marketplace and we are linking those up with our first mortgage product. And then there's Self-Help Housing which I touched on before which is a partnership. We have HCD that has technical assistance monies to support the nonprofit developers. We have a Pre-Development Loan Program for that same player and we also have first mortgage takeouts as low as five percent first mortgages .for qualified Self-Help home buyers.

These all contribute to the total volume production that we're trying to do. Then, of course, we have a couple of other program responsibilities in single-family. One is the School Facility Fee Affordable Housing Assistance Program, which doesn't have a catchy acronym, we refer to it as Prop 1A.

For you Board Members who have been exposed to this in the past there are three single-family programs which we are administering under contract. They are up and running, we already have had applications, we have already funded some of the second down payment monies to those home buyers. Multifamily is up and running, however, we don't expect applications on this for a bit yet because of the key factor of the project is not eligible unless the permit was taken down after January 1st of this year.

The HELP Program, which the Board approved last year represents a new and different way for the Agency to do business. It's part of the kinds of streamlining and improvement of our product and delivery of services into the marketplace. The HELP Program, as we worked with the locality representatives on this, has evolved to a loan-to-lender product and the first $10 million that we put on the street was fully subscribed. Actually, it was over-subscribed. But it worked well.

We negotiated with the localities; some voluntarily took reductions in their requests so that we could fully meet all of the applicants. They were innovative proposals. They do meet the test of locality requests against priority affordable housing needs in their area that they are directly participating in and they are representing that they will repay the Agency. In exchange for that the Agency is not getting involved in their underwriting. We are not getting involved in taking security for the individual loans that they're dealing with. What we are emphasizing is performance reviews. Once the money has gone to the locality we have a structured performance review schedule with them that they've agreed to, and as long as their program is delivering against what they proposed to us to do then we'll leave it in place. If not, they have agreed that we will withdraw the money.

MS. PARKER: Dick, just one point to add for clarification. These other programs, both the School Facility 1A and HELP are programs that do both single-family and multifamily.

MR. ANGELIDES: You have ears. You heard my question.

MR. SCHERMERHORN: And as a matter of fact, the KELP Program, I think we mentioned last time, it was a surprise to me. When we put it out I really did expect to see a number of acquisition rehab-type single-family program proposals come from the localities. Eighty percent of the requests were for multifamily. Some were acquisition rehab style but it was a very interesting --

MS. PARKER: And we're hearing that the next group is even stronger multifamily.

MR. SCHERMERHORN: Yes, it's very interesting.

CHAIRMAN WALLACE: Dick, let me interject.

MR. SCHERMERHORN: Did we get to a break point?

CHAIRMAN WALLACE: Well, I'd like to break when you're through single-family.

MR. SCHERMERHORN: I just am.

CHAIRMAN WALLACE: Oh, you are?

MR. ANGELIDES: Mr. Chairman, can I ask, before I lose them, some questions that relate to the single-family?

CHAIRMAN WALLACE: Absolutely.

MR. ANGELIDES: At least put them on the table.

CHAIRMAN WALLACE: Mr. Angelides.

MR. ANGELIDES: Thank you, Mr. Chairman. I've got a series of questions, I'll try to be quick. And that is, first of all, in terms of incomes reached. I know that you prepared them both ways and I'm looking at some numbers, and I don't know exactly where they were in the binder, but they talk about the results for '99 and they go to 21 percent very-low income, 47 percent low income, 31 percent moderate income. And I know that's based on the higher of statewide or county. Do you have those numbers also using the county median?

(Thereupon, tape 1 was changed to tape 2.)

MR. SCHERMERHORN: Yes, we provided that to your office in the past.

MR. ANGELIDES: Okay. You mean in terms of the '99 results or the '98 results?

MS. PARKER: We only have '98.

MR. SCHERMERHORN: We haven't been asked for '99 yet, have we?

MR. ANGELIDES: It would be great to see those by '99. Is that possible?

MR. SCHERMERHORN: Sure. It's a run.

MS. PARKER: Yes. I think what we gave you as per our calendar year '98 was essentially -- We gave it to you both ways.

MR. ANGELIDES: Right, you gave --

MS. PARKER: Right, right.

MR. ANGELIDES: Exactly. I've seen that for '98.

MS. PARKER: And we haven't -- Actually, we're completing the pipeline of our loans that were made in '98 going into '99. I think we've got data through April.

MR. ANGELIDES: Great, whatever you have because --

MR. SCHERMERHORN: Should have.

MR. ANGELIDES: Certainly these numbers I think look -- using this measure they're measurably better than '98; is that correct? In terms of reaching lower.

MR. SCHERMERHORN: But it's an apples and oranges.

MS. PARKER: Which numbers?

MR. ANGELIDES: Well, the ones you presented here as to using the statewide or county.

MR. SCHERMERHORN: No, it's about the same.

MR. ANGELIDES: About the same, okay, all right. If you could do that run if that's not a big problem it would be great. I guess I did want to ask Angelo as a member here but let me move on and ask another question. As I look at the HAT programs I guess I have a couple of questions. Which is: Clearly the single-family mortgage assistance program you're running at business plan level. And the question is as to the Self-Help Builder Assistance Program, which is I think below plan. Here's a generic question: Is the constraint on the specialized programs which are unique and good and reach lower? Are the constraints on those the financial capacity?

MR. SCHERMERHORN: In a word, yes. What happens is we go through an evaluation of the reserves and there is some percentage of that which the reserves are there for credit support of the Agency. There is a percentage of that that can be used for an alternative investment without triggering rating agency considerations. That sets, if you will, the parameters of what we've got to work with. That's the layman's nutshell answer to it.

MS. PARKER: Yes. I think the other thing is the number that we have in the plan is based on -- and I don't know, I think Dick articulated it and it's in *my* letter. We met with basically industry groups in putting this plan together. So the $2 million that we have put in the plan has basically been a number that industry has asked us for. They recognize they have not been able on a demand basis to deliver that. In our discussions with them this year --

As you know, there is money in the Governor's budget to increase, in HCD's budget for the technical side for Self-Help. And in our discussions with those developers the hope is, probably not next year but in future years that that technical money may help them be producing some more projects. And in that sense we will be watching very closely about being able to, you know, meet this target, or perhaps in future years coming in with a higher amount if they have that capacity to do so.

MR. ANGELIDES: I guess it's really a twofold question based on your standing. The short answer is it's a financial capacity question; and then the question is, within that, how much flexibility is there? I mean, how much judgement is there in what your ability to make alternative investments with reserves are? I mean, how much of a judgmental issue is that? I guess what I'm trying to get to, to grow these programs which have been very good, great additions to the Agency's plate, what will it take either on the financial side or how much movement is there there, or -- And you answered the question on self-help building. How much of it is a matter of capacity to suck up what'is being offered.

MR. SCHERMERHORN: Right. Well, the aggregate growth, if you will, is a function of the limitation of how much of it we can use for this kind of a purpose because it is an alternative investment. Secondly, there is a requirement, since we are assuming we get this money back for the purpose for which it's in the reserves, obviously we have a credit issue in any of the program considerations but we're dealing with it. And thirdly, there is an issue of what is the program need, the level of program need for this out on the street, and the self-help is a good example. We talked to the industry about what is it they're saying they need. This is what we need.

MR. ANGELIDES: Right.

MR. SCHERMERHORN: *An* example in the past was the bridge loan program. We kept missing, every year we did it wrong. They'd tell us, we need the bridge loan, we put the bridge loan in the package at $10 million, didn't get a deal. Next year we scaled it down to $5 million and we ended up with $10 million in requests. That went on for two or three years. I think we've finally gotten in sync with the marketplace but it's those three elements. How much do we have to work with, what is the credit considerations in what we're talking about and what is the marketplace telling us that it needs at what level.

MS. PARKER: One last thing on this line and then I'm going to move on quickly so we can take our break. I assume on the mortgage assistance program, which has been the much of it we can use for this kind of a purpose because it is an alternative investment. Secondly, there is a requirement, since we are assuming we get this money back for the purpose for which it's in the reserves, obviously we have a credit issue in any of the program considerations but we're dealing with it. And thirdly, there is an issue of what is the program need, the level of program need for this out on the street, and the self-help is a good example. We talked to the industry about what is it they're saying they need. This is what we need.

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MR. ANGELIDES: One last thing on this line and then I'm going to move on quickly so we can take our break. I assume on the mortgage assistance program, which has been the 100 percent phenomenon, that's not constrained by demand because you're moving all that, that's constrained more by the --

MR. SCHERMERHORN: No, it is a function of demand.

MR. ANGELIDES: It is?

MR. SCHERMERHORN: Sure, because that is a program that is relying on private activity bond allocation. I have got constraints as to how much we can actually do in a year. And therefore a percentage of that portfolio, from a credit standpoint in our portfolio, we're not trying to do 100 percent loans for everything that we do.

MS. PARKER: That program is only available to certain areas so it's not --

MR. SCHERMERHORN: It's limited to certain areas so there are, if you will, there are limits on that program and we're kind of at the max on that. If we went any further with that program we would start impacting the overall game plan of realistically trying to achieve $1 billion over a one year period. It would tend to skew our production, both in terms of time and product. So we're trying to balance within what we're doing what product availability we have, where it's going in the state and what time of the year it's available.

MR. ANGELIDES: Is it in the materials, you know, the flow of recyclable tax-exempt? Is that in here or just as a matter of background could I see what that flow looks like over the next -- It begins to diminish over time, correct?

MS. PARKER: Right.

MR. CARLSON: Right. We've made estimates based on the rate of repayments we're getting today. I could share that with you.

MR. ANGELIDES: That would be great.

MR. CARLSON: Roughly it's $200 million this year and drops to about 150 next year and then drops faster after that.

MR. ANGELIDES: Here's my last question on this whole line and I'm glad Angelo came back. At one point does the spread -- You raised the issue of the Fannie Mae-plus-servicing may come down and then there's this other pressure assuming -- Hopefully we'll get some kind of bond cap relief from Washington. But assume we don't for a minute. If we perhaps have the market coming down some, at least in relative terms, and our spread coming up, at what point does the spread become not consequential in the marketplace?

MR. SCHERMERHORN: About 25 basis points.

MR. ANGELIDES: How much?

MR. SCHERMERHORN: From our own experience, about 25 basis points.

MR. MOZILO: In other words, if you're -- I came in in the middle of this. But if you're less than 25 basis points off the market --

MR. SCHERMERHORN: We see our business drop right off because that then kicks in the regulatory considerations. But if we can stay better than 25 basis points we see business. And it increases, obviously, the greater the spread.

CHAIRMAN WALLACE: Okay, Phil?

MR. ANGELIDES: I've got a million more but I'll spare you.

CHAIRMAN WALLACE: No, this is great fodder, this is the kind of stuff we need. Unfortunately, we've got limited resources as to time.

MR. CRANHAM: Yes, and we're losing it.

CHAIRMAN WALLACE: And we've got to go. Darn it, Cranham, we've got to go get our picture taken. We're going to do that as fast as we can and hustle back here and wrap this up because I've got a plane to catch and I'm not the only one. I think we're heading out poolside. Cranham just left us but it's thataway. Phil, thanks for being with us.

MR. ANGELIDES: I'm not going to leave just yet, you're not rid of me just yet.

CHAIRMAN WALLACE: Well, we get your picture, don't we?

MR. ANGELIDES: Right.

CHAIRMAN WALLACE: Do we get an autograph?

MR. ANGELIDES: My Chief Deputy Kristin Faust is here.

CHAIRMAN WALLACE: Kristin.

MR. ANGELIDES: One thing, Mr. Chairman, given the time constraint that might be helpful for those Board Members who want it, this very notion of the extent to which the employer reserves, which really determines our ability to do these specialized programs that have reached further, would be maybe a good opportunity for a workshop session for some of the members.

CHAIRMAN WALLACE: You've been leaning in his ear, Klein.

MR. KLEIN: Not on that subject.

CHAIRMAN WALLACE: Okay. Okay, let's take a quick break. Be efficient. Get over to poolside off the other building's south side and we'll get back here just as quick as we can. We are in recess.

(A recess was taken off the record. Mmes. Maria Contreras-Sweet and Kristin Faust arrived during the recess; Mr.. Philip Angelides did not return after the recess.)

CHAIRMAN WALLACE: Okay, I'd like to call the Board into session. It's with a great deal of pleasure that I'd like to introduce Maria Contreras-Sweet, our Secretary of Business, Transportation and Housing. As an alum of that agency I know what an easy job she has.

It is a pleasure, Maria, to have you with us, we want you with us whenever you can make it. We know the extensive commitments that you have. CHFA is an important cog in the delivery of affordable housing to an insatiable demand in California so we're going to be very pleased whenever you can make it. In the meantime if it's Donna, she's pretty well versed in what we do and she has been a very good contributor, if we can just get rid of her cell phone. Having said that, Madam Secretary, it's a real pleasure to have you with us and we would be pleased if you have any brief remarks. You are most welcome.

MS. CONTRERAS-SWEET: Great, thank you. Just let me say first of all that as your Secretary of Housing this is an area that's very, very important to the Administration, as you know. I know that we've set out a big challenge this year. Hoping that the economy continues to go in the direction that we all hope it will I hope things will loosen up for us a little bit next year. (Telephone rang). Boy, it must be the job, you know.

CHAIRMAN WALLACE: It goes with the territory?

MS. CONTRERAS-SWEET: But it is a very exciting agency to be a part of. Let me say that we have pulled together a really interesting mix -- For those of you that haven't followed agency work-and I can imagine you have more exciting things to do in life—in our transportation group we have, of course, Caltrans, we have the Office of Traffic Safety, the DMV and the CHP. So that group in and of itself could be a full time job to be the Secretary of Transportation.

But of course we also have the Business group, which is the Alcohol Beverage Control, the Department of Corporations that handles all the securities activity, all banks, state-chartered savings and loans, the transmittal -- money transmitters. It's a large agency in and of itself, that piece. And so then of course we have the Housing piece, which CHFA, while though quite independent we treat it as family and invite our director to all the meetings, staff meetings that we have, and she participates fully. So this is an important piece.

In addition to the departments the Governor has tasked me with something that I think you're all going to be very interested in hearing about and that is to serve as his chairman, as his voice on Building for the Twenty-First Century Commission. Which the Lieutenant Governor is the co-chairman with me on that and we have set up four working committees. One is transportation, the second is resources, the third is technology and the fourth is facilities, wherein we are also researching housing strategies.

So it is being addressed there as well as the Governor's signal that we are going to be establishing a housing commission that I'll be chairing and working with the Treasurer and working also with the Lieutenant Governor on. And so we're very much looking forward to making housing a top priority. We know that California ranks low in this regard and we want to leave a legacy that we've moved up quite a bit in that ranking.

And to that end, anything that I can do. To use the bully pulpit at the federal level, to provide leadership, to create partnerships with the private sector, anything that we can do I want to make certain that we use the agency. And the only reason I mention the other pieces of it is that if we can use the transit piece, the transportation piece to create value in land where we think we need to build housing, that we should use that. I just want you to know that the full resources of the agency are available to this effort. And to that end I want to make myself fully available to you. Thank you, Mr. Wallace.

CHAIRMAN WALLACE: Well, thank you. I would be remiss if I didn't tell you, having served in government in another department with all credit, we have an outstanding director and a wonderful staff. I think you'll find that in time they will be a great resource to the agency. And we've got a great Board too. We're a great organization. Now that posterity has recorded that, again, welcome. And I'd like to further acknowledge in Mr. Angelides' behalf his Chief Deputy, Kristin Faust, who is with us. We've had a number of discussions with Kristin and we welcome you too and hope you'll be a continuing contributor. We know you have a lot of good background that can be helpful to us.

MS. FAUST: Thank you.

CHAIRMAN WALLACE: *Any* words?

MS. FAUST: No words.

CHAIRMAN WALLACE: Okay. Well your boss, he took your time.

MS. FAUST: Right.

CHAIRMAN WALLACE: Thank you, Kristin, nice to have you here. Dick, let's go on to multifamily. And again, I'm sensitive there are about four Board Members that I know of that have other obligations and are going to be bailing out so if we can move it along. And, Board, conversely to the degree that we can keep our comments and questions as succinct as possible it would be helpful. Dick.

MR. SCHERMERHORN: Okay, Mr. Chairman. I will quickly do, as I did in single-family, a rapid background on how we operate multifamily as a premise as to the business plan proposal.

First, as different from single-family where we're a wholesale lender, in multifamily we're a retail lender. We deal directly with for-profits, nonprofits and public agencies who are borrowers. We provide tax-exempt and taxable loans for new construction, acquisition and rehab. And we do our own loan underwriting, which means that we have our own credit decisions, credit risks to consider. And all this leads into we're a portfolio lender. The loans that we make by and large we hold in our own portfolio to manage and oversee the regulatory agreements as well as their financial performance.

The objectives in multifamily, given that we are a retail lender: How we have been operating is we are a marketplace alternative. It is not our business, we have not been operating to compete with the conventional marketplace. Au contraire. What we're actually trying to do is stimulate to the greatest extent the marketplace to come in and support affordable housing. So to the extent that we can in some fashion fill an unmet need in the marketplace, that's where we have been putting our emphasis on multifamily.

And that translates into a long-term, fixed rate, below market rate loan for multifamily purposes. By and large that is not a vehicle that is available conventionally. There are 30 year amortized loans but they have rate resets or other conditions in them that could change the economics of the product. Ours is a long-term fixed rate. It's an alternative in the marketplace.

In trying to stimulate the involvement of other resources for affordable housing rental housing purposes, although we don't have to have a 20 percent at 50 percent minimum affordability requirement in our projects we have established that and we have advocated others to do the same thing. And one of the positives earlier this year was in the CDLAC allocation process. Much more emphasis was put on meeting the 50 percent test in the product applications that were utilizing private activity bond allocation.

We try and stimulate the conventional marketplace to consider the same kind of an approach. And in our case we also have a higher bar. If the deals go over $10 million we are seeking higher affordability. As much as 25 percent at 50 percent, up to 40 percent of affordability depending upon the location or type of project that we're trying to finance.

And preservation. An objective of ours also is the preservation of at-risk housing. And this is a subject I aant to cover somewhat because last year we came to the Board with a full presentation on the issue of preservation. A lot has happened in the past year and one of the things that happened was no activity with our program. Or didn't happen, however you want to describe it.

We still have the same players involved in preservation here within California. CDLAC because of its private activity bond allocation, Tax Credit Committee with the tax credits, HCD has policy and programs that are involved in this arena, we're involved because of our multifamily financing capability and our role as PAE. As an aside, HUD still ha6 not executed contracts with the PAE. We're still working through that, although we think we're getting close at this point. Localities have their resources and relationships with projects which are very important in the preservation consideration.

Here's what's happened: Last year we started with an expiring use government-assisted total inventory estimate Erom a composite of sources of in excess of 158,000 units. We are now down estimate this year to about 146,000 units and it's happened in Section 8. Whereas last year or the end of '97 we were 114 and change, there has been at least 10,500 and we're estimating now about 12,000 units lost out of the project-based Section 8 inventory that has gone conventional. That results in some percentage changes that I have made in the '99 picture because it's important to the next discussion. These are estimates. It's a composite of information we're putting together from three or four sources.

Of the 102,000 units that we think are still on the market, project-based Section 8, 60 percent of them are estimated to be below 100 percent fair market, 20 percent now at between 100 and 120, and 20 percent above 120 percent. That number shifts as rent increases occur. These two numbers we didn't change, they're relatively small, we haven't had time to go and really confirm whether older assisted portfolio has changed or the locality one. They are expiring use, they are not the significant issue that the project-based Section 8 was.

The preservation programs: Mark-to-Market was HUD's initial answer to the preservation problem. The issue was, though, it only affects those units in excess of 100 percent of fair market rent. And I brought those 20 percenters forward because -- This number right here. All the intelligence we got from our meetings with the lenders told us they are going to avoid Mark to Market at all costs. And the primary reason is Mark to Market carries with it another 30 year requirement on the part of the lender to commit to affordability but HUD will only commit to annual renewals of the Section 8 contract. So the owners are saying, not a fair deal, we're going to try and avoid this at all costs.

The projects that are above 120 percent of fair market may have to go Mark-to-Market because it involves a restructure of their mortgage to bring the debt servicing costs down to a lowered Section 8 contract to match the street rents. Although the owners here have told us the same thing, if they can avoid Mark-to-Market they will.

So last year the Board approved a $100 million taxable program and the reason we proposed it was we wanted to get some kind of a financing vehicle on the street that would be an alternative for players to either refinance their Section 8 existing and go to the contract renewals or purchase the projects and keep them affordable with contract renewals. The problem was since we had a long term fixed rate product it was not attractive. The conventional market had a product 50 to 75 basis points cheaper than what we were talking about. And the owners that were really interested, that were taking advantage of the conventional market, didn't really want to consider an alternative, they wanted to take their projects conventional or sell them.

The second problem was, no interest in a new regulatory agreement. A lot of antagonism from the existing owners about continuing their relationship with HUD because they saw it as one that was not a fair deal, not a partnership with HUD. That HUD was really creating significant problems and they were willing to pop out.

So what we learned was the .owners who were opt out candidates either had gone for their own business reasons or were going to sit and see what was going to happen. And we asked them, what would it take for you to stay in the game.

The primary response we got from the owners was, to get equitable treatment in any deal going forward. And that translated into, would HUD bring their contracts up to street rents, and we don't want to buy into a regulatory agreement for 30 years when all they are going to do is commit to a one year contract. So that's the reason why the owners will avoid at all costs the Mark to Market program, to avoid the regulatory agreement, and they wanted fair treatment on the rent.

HUD has recently bowed to the pressure of this issue that has come up and has come out with their Mark Up-to-Market program. And all it is is HUD is going to recognize that there are markets where rents have increased and contract renewals that are being requested are being looked at and will be issued with comparable street rents to them.

What this means to us is a very big shift in what the issue could be in preservation in California. This 60 percent that we have had at risk, plus this 20 percent up here, those are all potential opt out candidates. If HUD in fact is going to renew contracts at street rent there are going to be a lot of project owners here, who will continue to renew their contracts on an annual basis without taking a long term affordability commitment. And they'll stay in the game as long as HUD keeps producing contract rents that are comparable to the market rents that they're dealing with because it's a guaranteed cash flow to their project. It takes some of the risk out of going market.

That's what the Mark Up-to-Market program does. It really addresses the states like California with a significant amount of the portfolio below 100 percent of fair market rent by offering now contracts that will be comparable to market rent. We now estimate that where this 60 percent number would have been 40 percent for sure opt outs and maybe we could have gotten to 20 percent of them with our taxable financing program, flips.

We still think there's going to be loss out of here. There will be owner decisions to leave the affordable housing market unrelated to regulatory agreements, et cetara. It will be a business decision, that's what they want to do. We think, though, that 40 percent of these units, or some number around there, are still on the fence and may very well stay in the game because of the Mark Up-to-Market program if they can get HUD to issue them a street'rent comparable contract rent on their projects.

So with that developing and the discussions that we had with the project owners and our stakeholders group we decided to narrow our focus. Scrap the taxable program, it's not working. It's not going to work in the marketplace. Or it may, in a very limited instance it might. What we decided to do was focus in where could we make a difference on the portfolio that still may be at risk of loss or may change hands and we could in some way, shape or form go in there and stabilize that for long-term affordability.

We focused on 501(c)(3) tax-exempt loans because it doesn't, like the taxable program, does not require any private activity bond allocation. Therefore we're not putting any stress on an already existing finite resource that's needed for a lot of other purposes. It does require a wholly nonprofit borrower to utilize the 501(c)(3) tax-exempt loan but for our purposes that's fine because they have the same public purpose objective that we do, long term affordability.

So we propose to offer a five percent fixed rate loan for a 501(c)(3) tax-exempt product up to a 30 year term for acquisition of at-risk, government-assisted units in the marketplace. It would be by definition on the 501(c)(3), restricted to nonprofit owners. And the reason we're going with the rate is it's an achievable rate for us for this product and it also mitigates the issue that you can't use tax credits with a 501(c)(3) tax-exempt loan. You have to have private activity bond allocation.

In developing the financial structure of a deal there is an effect that tax credits have from bringing equity into the deal. We're trying to mitigate that by lowering the debt service cost so that to some extent will offset that missing. We're also proposing that we consider up to 100 percent loan-to-value deals on acquisitions where we have nonprofits buying with this. The combination of the loan-to-value and the five percent rate should be a significant offset to the fact there would be no tax credits in it.

We have tested this discussion out with our nonprofit borrowers. They agree it may not do all deals but definitely is attractive for a number of deals and it's something that they would urge our consideration of. That in combination with our Preservation Subsidy Loan Program. Last year we didn't do anything on taxable, therefore the preservation subsidy loan got very limited use and the Option Purchase Program got no use. We are proposing to drop the Option Purchase, the stakeholders say that really is not useful now given what's changing in the marketplace.

But the preservation subsidy loan is very important. It's important because it provides the transition funding safety net in a project so that we can underwrite it and know that if the one year term contracts stop for whatever reason there is a period of time in which the project can cycle its tenant income profile up to a 50 percent affordability level in that particular marketplace.

So that's the essence of the Preservation Loan Program and the change that we're proposing in the business plan. To scrap the taxable approach, narrow in on this.

Major change we think is going to occur now in what's happening in the marketplace with the affected Section 8 product.

So the game plan for the coming year is we propose a maintenance of effort because of the fact that New Construction/Acquisition/Rehab are driven by availability of private activity bond allocation and we are providing an alternative financing mechanism in the marketplace. Our projection is we can maintain that new construction level/ acquisition level of about $100 million a year in tax-exempt financing, although we don't see that as a cap. If there were more business to come about we would certainly entertain it and process it.

Special Needs, that's the dollar amount of the loans that we foresee doing. Again, that's a very limited market. And the Preservation, the program I just talked about, we would say come out of the box at about a $20 million level is the estimate that we've got because it's going to take the nonprofit community a little bit of time to start identifying product that they could take advantage of with this financing program. This is one that if the circumstances change we definitely would revisit with the Board about how much we're doing and how we're doing that particular product.

And finally, just to run through quickly what the

Housing Assistance Trust Fund program considerations are: We propose to maintain our bridge loan program. You have seen already today some of the uses of this particular financing. Our state-local program is one that we provide a funding resource to do a match with localities for deeper affordability or to provide some gap financing for some of the communities that may not have access to other public resources like HOME or CDBG.

The Preservation Subsidy Program maintained at the $15 million level; this ties to the 501(c)(3) program. The Pre-Development Loan Program in multifamily helps our nonprofits; we're proposing to scale that back a bit. Special Needs, this is the level of renewable funds from FAF, FAF monies that we get in that we plow into the interest rate write-downs on our Special Needs Program.

The HELP Program, which I described earlier, which is getting very positive response from the localities. We've got limitations on it. We're proposing to maintain that at the $20 million level to get some more experience and make sure that the product and the way that we're doing this is going to work successfully before we rethink anything more about that. And maintain our $2 million Small Business Financing Program for compensating balance and for pre-development loans for small businesses. And that runs the multifamily program. Questions? Sir.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Could you put that last slide back up, please.

MR. SCHERMERHORN: That's a good question.

CHAIRMAN WALLACE: What's your next question?

MR. SCHERMERHORN: Okay, the answer is, yes.

MR. KLEIN: On the bridge loans, those are being financed through our earned surplus or equity. Is that where those funds are coming from, the low income housing tax credit bridge loans?

MR. SCHERMERHORN: They're coming out of our reserves, right.

MR. KLEIN: Those are not arbitrage-restricted funds? Those funds can be invested at taxable rates?

MR. SCHERMERHORN: Ken, that's correct?

MR. CARLSON: Yes, it is.

MR. SCHERMERHORN: I don't like to tromp on his turf.

MR. KLEIN: And what is our investment rate on those funds?

MR. CARLSON: Dick, haven't you been charging -- On that portion of bridge loans you've been charging a rate of -- Is it the same as your underlying first mortgage rate or is it slightly higher?

MR. SCHERMERHORN: Yes, we're normally around six to seven percent there.

MR. KLEIN: Right. But if those funds were not in bridge loans what rate would you be investing and earning on those funds?

MR. CARLSON: Well, it depends on what we used them for. But if we just left them, if the money is deposited in the State Treasurer's investment pool it would get, today, maybe 5.25. But we have better uses than that.

MR. KLEIN: Right there's higher investment opportunities than that. My point on this particular category is, it may be an optimal move for us to write a check rather than do the bridge loan. Because if you look at the additional tax credit --

MR. SCHERMERHORN: I'm sorry, write a check for what?

MR. KLEIN: If you provide grants to, for example a nonprofit you're doing a bridge loan for, versus giving them a bridge loan on the tax credits, the bridge loan -- For example, the project earlier today had a $320,000 premium. The interest differential between investing those funds may have been $500,000. So it would be cheaper for us to write a check for the $320,000 rather than doing the bridge loan to optimize our investment opportunities and therefore get -- We'd be able to use the same amount of funds, increase our program in this area. Because the premium the tax credit investors are giving may not be equal to our interest give-up on our investment opportunities. I'm just suggesting that's something we need to look at.

MR. SCHERMERHORN: Wait a minute. If I'm getting 6 percent on this loan and the alternative source is 5.25, I'm going to make some additional money that I can then turn around and use for this purpose. If I understand your explanation you want me to give up the 6 percent, take the money I'm earning on 5 percent and write a check.

MR. KLEIN: If you look at your program today you'll find the numbers work because you're charging one percent on that loan. You're charging one percent on the bridge loan in the first --

MR. SCHERMERHORN: The one that you're citing, that's a write-down because it was a FAF financed deal.

MR. KLEIN: I understand. What I'm trying to say to you is that if you look at your write-down you'll find, I think if you run the numbers, that if we write a check we will essentially have, we'll have greater earnings by retaining the money we made in the bridge loan by putting them into regular investments and we could write a check that would exceed the $320,000. The differential between --

MR. SCHERMERHORN: Okay, Bob. I'm just a simple banker. I have difficulty in giving up a six percent earning for a five percent investment.

MR. KLEIN: Okay. It's a one percent loan rate you were making on that. What I'd like to do is just give you the figures. Because I can tell you that if you run them your tradeoffs in many cases will be positive. The other case that I'm not sure of here is the HELP Fund category. That's both a single-family and a multifamily program?

MR. SCHERMERHORN: That is correct.

MR. KLEIN: And what percentage is going into multifamily and what form are those loans taking?

MR. SCHERMERHORN: Okay. That's the Loan-To-Lender Program, it goes to the localities. The localities make the decision about the projects, the type of program they're going to run. What we are doing is we're providing three percent loan money for them up to a $2 million cap on a program activity that is a high priority affordable housing effort in their locality without carrying with it program strings. So I'm not getting into an issue of what they're doing in terms -- other than at the front end of the proposal we determine that, yes, it is an affordable housing product; yes it meets a designated locality need; and, yes, they have the capacity to put this program on the street.

MR. KLEIN: And we're getting reporting on how many people we're serving by income level they're at?

MR. SCHERMERHORN: Yes, we'll have program information on all of that because we have a very structured performance review process on that. That's how we're monitoring that program. So as those programs get under way we'll be periodically making available what the end results of those are.

(Thereupon, Ms. Contreras-Sweet exited the meeting room.)

MS. PARKER: The whole structure of this, in that sense, is based on performance auditing. And in that sense we'll be monitoring, at least some of these projects we talked about, trying to have revolving dollars that they can lend out, replenish and use them to expand and do more projects. And we're going to be looking at whether they essentially use those dollars in a timely fashion so that no dollars are sitting there. If the locals aren't using it, they aren't performing according to the agreement, then we will essentially sweep back those dollars and use them in other localities to get the most need out there.

MR. KLEIN: It sounds like a good program, I just didn't have any really detailed information on exactly what was happening in that program. I appreciate the explanation.

CHAIRMAN WALLACE: Mr. Czuker.

MR. CZUKER: To build on the last two questions I have some clarification I would like to ask. First on the KELP Program. As I understand it that's for a maximum of ten years.

MR. SCHERMERHORN: Correct.

MR. CZUKER: And how are you targeting your source of repayment if the money is going to a municipality for, in some cases, undefined purposes up front that may or may not turn into a cash flow repayment source?

MR. SCHERMERHORN: First, it's not an undefined. They have to clearly identify what the program is going to be, what the product is, what the time frame of delivery is, et cetera. We are relying on the locality. The local entity of government is entering into a lending agreement with us to borrow this money under these terms and conditions.

As an example, the single-family example we have, Vallejo is going to enter into a contract with us for the $2 million. What they have is, they have a single-family loan program targeted to very-low income. There is a secondary market source that will buy one percent loans. They have a nonprofit that can market that, underwrite those and deliver it. What they needed was a warehouse line of money to be able to get the loan and then package them up and deliver them to the secondary market. They propose to use this money for that period. We've told them, okay, we've got a performance review that we want. This money is turning over and coming back into an account. We will be performance reviewing and we will look at it on a five year time frame whether the program should continue or not.

MR. CZUKER: How will that apply to multifamily?

MR. SCHERMERHORN: Okay. A very similar one. Sacramento wants to do a similar thing but with multifamily. They want to use the funds to acquire properties that are in a designated acquisition rehab strategy. They have the funding to do the rehab and the interim takeout leading to a permanent but they need, in effect, the acquisition monies right up front. So it's like a one to two year turnaround time on the use of these funds to get to their other source of funding so that they can, today, acquire the property, cost out what their rehab costs are going to be, do the loan behind that and take the money and churn it over to acquire another property in the targeted neighborhoods that they have.

MR. CZUKER: So those will be smaller projects.

MR. SCHERMERHORN: Probably.

MR. CZUKER: One last point related to the bridge loan program. Mr. Klein had described the possible alternative investment that if those funds were invested could greater than the one percent, that the differential could have been a grant or subsidy back to the sponsor of the project. I just wanted to add that we need to review in today's environment, the marketplace. With investors paying such premiums, or willing to pay such premiums for qualified tax credit projects that the need for the bridge loan program has actually been reduced.

You will find investors today—in Mr. Klein's example up to 90 percent, but even if it's only up to 80 percent-are prefunding or providing their own bridge loan as part of the securing of the tax credit. The investor will come to the table with a bridge loan proposal. And so it may free up resources which complement Mr. Klein's suggestion that those funds could be reallocated and used to a higher purpose elsewhere.

CHAIRMAN WALLACE: Okay, thank you. Let's take it under advisement. I want to go to John. Are you next, John?

MR. SCHIENLE: Yes.

CHAIRMAN WALLACE: We haven't heard his presentation and I think we need to do that. We've got about a half an hour if we're lucky.

MS. FAUST: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Kristin?

MS. FAUST: I had a question on the Preservation Program but if you want to come back to it it's fine.

CHAIRMAN WALLACE: Put it out right now.

MS. FAUST: I just wanted to understand. The $20 million in preservation, it translates to about how many units a year saved? Do you have --

MR. SCHERMERHORN: No, that's always dependant on what's the per unit cost on the mortgage. Where are the projects going to come from and what's going to be the transaction cost on those. You know, you can ballpark it. If you assume somewhere around, average transaction around $70,000 a unit. And that may be low. You can do the math from there. You pick your number. We could end up with proposals all out of a lower cost area where the cost of the transaction is lower and therefore we get more units.

MS. FAUST: Sure, sure. I was trying to get an understanding of the five year goal of $100 million. About what kind of dent might be put into that 40 percent pool that you said we have a chance of saving.

MR. SCHERMERHORN: Not a big one.

MS. FAUST: So I was just trying to equate --

MR. SCHERMERHORN: That amount of money doesn't translate. When you figure you've got that number of units, 60,000 units, you know. Do a multiplier of $70,000 per unit. You can see how small $20 million is in all of that.

MS. FAUST: This is a program, though, that you see room for it to grow? Because it's also flatlined whereas I think it could increase every year.

MR. SCHERMERHORN: Okay.

MS. FAUST: Do you see room to grow above the $100 million five year goal if the demand is there?

MR. SCHERMBRHORN: I think what's going to happen is it's going to do a bell curve. If it's going to be used it will be used over the next three years and start tapering off. That's what the numbers would suggest in terms of contract.

MS. PARKER: Dick, I think maybe another answer to add to that too is some of this will depend on -- We have talked to and worked with HCD. And to the extent that there are dollars that end up in this year's budget or future years' budgets that could be combined with what we're doing here or leveraged then we may see, you know, higher numbers. And so I think a lot of it depends, again, if we are able to bring redevelopment to the table and use these dollars. Depending on what things we could add with this may impact how many units overall could be salvaged.

MS. FAUST: It's just such an important inventory of units. I think everything we can do to save every one.

MS. NEVIS: We certainly agree and we've been working together on a strategy to see how do we go out and bring redevelopment, other local fund sources together to do as much of this as we possibly can. So we're extremely hopeful at this point.

MS. FAUST: Thank you.

CHAIRMAN WALLACE: Thank you. John, insurance.

MR. KLEIN: Are we leaving the multifamily section?

CHAIRMAN WALLACE: Pardon me?

MR. KLEIN: We're going on to insurance from multifamily?

CHAIRMAN WALLACE: Yes.

MR. KLEIN: Perhaps it's going to be -- I know that, Mr. Chairman --

CHAIRMAN WALLACE: Yes, get your oar in now, quick. Because we're going to do it, it's a question of what form it takes.

MR. KLEIN: Great.

CHAIRMAN WALLACE: I wanted Bob to share an idea of his with the Board to see if it's something you feel is worthwhile. But I need to do it quickly.

MR. KLEIN: In talking to the Director we discussed the idea of having a Board workshop so that we could substantively get into the area of preservation and how we can have a substantial expansion of the program. As discussed previously, there are many Board Members that would like to see the program a quantum level greater, in the $300 million a year range rather than the range it's in to make a real impact.

There are related constraints on the staff. Legislative constraints at the state level, for example, that need to be addressed so we can have a coherent policy and are moving forward. Perhaps not this year but next year, having legislation placed that will help accomplish a greater target. Taxable bonds, for example, are state exempt, federally taxable. They may get a much better interest differential if we have on a modification an alternative minimum tax as it applies to the state exemption on preservation projects.

But there are major changes, major opportunities here. This Agency, certainly based on the discussion of last year, could and I think should be at the $300 million multifamily preservation level. Is there the interest at the Board level for a workshop to discuss the range of programs that would have to be brought together to accomplish this?

MS. FAUST: I think the answer is, yes. I think it's important that, yes, we have the right participants.

CHAIRMAN WALLACE: Ed.

MR. CZUKER: I'd be happy to participate.

MR. HOBBS: I would too, Mr. Chairman. But I'm just shy that -- I'd be hesitant to set out a number at this point given the complexity of the issue.

CHAIRMAN WALLACE: No holds barred.

MR. HOBBS: But yes, I would very much like to --

CHAIRMAN WALLACE: Would you be interested in having a one hour, half day workshop in conjunction with mother Board meeting? We'd elongate the day, or separate there from.

MR. HOBBS: Probably a dedicated session.

MS. HAWKINS: A half day probably would be required.

CHAIRMAN WALLACE: Okay. And I understand -- Terri tells me the staff is willing. Terri, let's ask you to kind of program it in and we'll try and --

MS. PARKER: I guess the question is whether or not you want to try to tag this on to one of our future Board meetings or to do something as an alternative? Our next Board meeting is in July, it's in Sacramento. We could essentially plan to have -- I think the expectation is that -- Linn, do you have some sense about the number of deals we'll have at the July Board?

MR. WARREN: It could actually be a fairly heavy Board, we may have six or seven projects.

CHAIRMAN WALLACE: Would you rather we -- Board Members, quickly. Would you rather we tied it in and made it a virtually full day Board Meeting? How many? Versus a separate meeting. Okay, so those are your two alternatives. Tie it in and make an all-day Board Meeting.

MR. KLEIN: Right.

MR. HOBBS: Yes.

MS. HAWKINS: Yes.

CHAIRMAN WALLACE: I won't even call for the other side.

MS. PARKER: I think what we'll probably do is, as part of making the arrangements we will probably send something out to all of you to solicit, perhaps, particular invitees to speak or your ideas so that we make sure that we spend the time, one, focusing on issues you're interested in, and two, bringing people in to speak that you are particularly interested in and think would be helpful to the subject.

CHAIRMAN WALLACE: Good. Okay, Schienle, insurance.

MR. SCHIENLE: Thank you, Mr. Chairman and Members of the Board. The statistical information about CaHLIF is included in the Board package and I would like to just make a few comments about the philosophy of what CaHLIF is doing. We're on a path toward central cities home ownership in high cost counties and that's our mission, our direction, our focus. We use strategies for borrowers who have lower incomes or have lower credit scores.

To accommodate that we use 50 percent, that's top 50 percent mortgage insurance coverage, and we attempt to tower the cost of the mortgage insurance. It's not appropriate for 50 percent but it's actually below ordinary market rates. To do that we reinsure our risk, as you know with Banover-Reed, and we solicit partners in lowering the cost of the mortgage insurance. That comes principally from two directions, either from partnerships with redevelopment agencies and cities and counties, and in one case now a bank. And in the aftermarket sale of the loans that are originated through the COIN proposal in the state insurance department using CRA-type securities being sold at a premium to insurance companies who participate.

To reach the borrowers in central cities we have been creative, as we're expected to be. We have two programs with no down payments. One we brought to you a year ago with Freddie Mac, 100 percent lending. The second, also a year ago, in which we have solicited money from Allstate Insurance Company to fund silent seconds. And I might mention that we have been able to accommodate the lenders' needs in those silent seconds by servicing the loans within CaHLIF and CHFA rather than causing the lenders to try to develop special programs to service second liens.

We have, in the ways we can, been directed toward higher risk underwriting and our natural enemies in that endeavor are the Fannie and Freddie desktop underwriting units and gold measure worksheet scoring systems which have the effect of creating caps on things like credit scores, back-end ratios. And so we're in a constant tension with those groups in trying to set new limits. And then finally we are making every effort to develop programs which will lower monthly payments. That's a yet to be done program.

Taking all of those kinds of ideas we now have Emerged in the last half year in actually promoting to the ultimate audience, to the borrowers. And we're doing that and have been doing that most recently through two ways. One is working with specific cities, particularly with Freddie Mac in cities, in getting loan programs on the street within a city so it's very localized.

(Thereupon, Ms. Maria Contreras-Sweet re-entered the meeting room.)

And then finally working toward employer groups, which we have begun to do specifically with teachers and medical workers in the city of Sacramento. And then before long with teachers and other employer groups in San Jose. So those are examples of where we're reaching out further to work with localities in coordinating with lender programs. Are there any questions?

CHAIRMAN WALLACE: Good job, John.

MS. HAWRINS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Carrie.

MS. HAWRINS: My observation has been that the credit scoring has set back the first time home buyer in the group that we're trying to address. That that credit scoring has got to be addressed with Fannie Mae and Freddie Mac because it's been just very detrimental because it doesn't take into account areas that are just not quantifiable in that kind of a scoring system. We're losing a whole group of people.

MR. SCHIENLE: Yes, absolutely. We're trying to maintain prime lending to first time home buyers, the pricing for prime buyers. The conflict we will have and are beginning to see, Fannie and Freddie talk about sub-prime lending, and sub-prime lending by their definition means higher prices. So there's another tension occurring where they're looking for greater profitability, offering higher rates to sub-prime lenders, and we're already in their category. So if we were to let up, why, the first time home buyer, many of them, certainly all of them with lower credit scores, many of them who would have lower incomes and often are minority would be paying higher rates.

MS. HAWKINS: Yet are not sub-prime borrowers, just the way the statistics and the numbers work against them.

MR. SCHIENLE: Yes.

CHAIRMAN WALLACE: Thank you, Carrie. Any other questions on the insurance program? Okay, sorry to abbreviate it but I commend staff, Dick and Linn and John, for the format you have used. I think it's time to bite the bullet if we can. If there are no further questions the Chair would accept a motion to adopt the Business Plan. Now having said that, we can change this, this is an evolving target so we're not locked into this. Just as you see, we had to evolve from last year to this year on preservation rather substantially. And I suspect when we get through our workshop that you proposed, Bob, we may change again, and we need to be poised to make those changes. Having said that --

MR. KLEIN: In that spirit I'd like to make a motion that we adopt the Business Plan.

CHAIRMAN WALLACE: Perfect, what a leap.

MR. HOBBS: I'll second it.

CHAIRMAN WALLACE: Second by Hobbs? Motion by Klein, second by Hobbs. Any discussion on the motion? Hearing none, seeing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Yes.

MS. OJIMA: Ms. Contreras-Sweet?

MS. CONTRERAS-SWEET: 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. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Ms. Nevis?

(No response).

MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye with pleasure.
MS. OJIMA: 99-23 has been approved.
CHAIRMAN WALLACE: The Business Plan, Resolution 99-23 has been approved. Kristin, you had a question?
MS. FAUST: Before we adjourned I just wanted to follow up on an idea the Treasurer had mentioned earlier in the area of workshops. If maybe for the new Board members we could do a couple hour session on reserves and how they work. And they could be set, you know, in the future sometime but I was hoping that we really could do that. I know it would be very helpful for me and the Treasurer if there's interest from other Board Members.
CHAIRMAN WALLACE: We're not quite ready for adjournment, by the way.
MS. FAUST: Okay.
CHAIRMAN WALLACE: But yes, take that under advisement.
MS. PARKER: Staff is always available to do any kind of in-depth briefings for new Board Members, in that sense individually and collectively. Dave, you wanted to make a point.
(Thereupon, Ms. Judy Nevis re-entered the meeting room.)
MR. BEAVER: No, I was just letting you know I

couldn't quite hear you so you need to use the mikes.

MS. PARKER: Mr. Chairman, I don't know if Judy would like to be recorded on the last vote.

CHAIRMAN WALLACE: Judy, we just voted on the Business Plan. We waited until you left the room. No, not true. Should we let you know how it's going so far? The Business Plan was just adopted and we'd be happy --

MS. NEVIS: Well, I would like to add my support.

CHAIRMAN WALLACE: -- to record your vote and any comment.

MS. NEVIS: I would like to add my support with an aye, thank you.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Thank you. Thanks, Terri.

RESOLUTION 99-24

We still have to adopt the budget, which if you keep rolling to about page 986 in your packet, we can do that. Jackie is going to present it.

MS. RILEY: Thank you very much.

CHAIRMAN WALLACE: And it's a piece of cake, isn't it?

MS. RILEY: It's a piece of cake. I just want to mention very briefly, Mr. Chairman and Board Members, that we worked really hard redirecting our resources this year, internally looking at all of our needs. Our operational requirements have only gone up by two percent. Most of that has been in cost of living increases for our employees and in our facilities. As we continue to grow we continue to take on more space. We have emphasized a lot of the customer service, our delivery system to our housing partners is most important to us and directing our resources accordingly.

I believe that Terri's write-up is pretty straightforward as far as any additional increases or where our directions, our redirections are. So I would ask for your support of this budget.

CHAIRMAN WALLACE: It's a five percent increase overall from last year?

MS. RILEY: Yes. Yes.

CHAIRMAN WALLACE: A lot of that in the salary area?

MS. RILEY: Exactly.

CHAIRMAN WALLACE: Making up for some lost time earlier in the decade?

MS. RILEY: A lot of lost time, yes.

CHAIRMAN WALLACE: Right.

MS. PARKER: As you are aware, for --

CHAIRMAN WALLACE: Been there, done that.

MS. PARKER: For the majority of our employees the salary increases are 5.5 percent. We do not know what will be the salary increases, if there are approved salary increases, going into the 1999-2000 state fiscal year. And those are not reflected in this budget.

MS. RILEY: Not included in this plan.

MS. PARKER: We always do this in arrears. So to the extent that there were approved collective bargaining salary increases, they're reflected in here. To the extent that there are additional ones, we will be having to come --

MS. RILEY: Back to the Board, yes.

MS. PARKER: -- for the Board's consideration. I think the other major area, as Jackie said, was really facilities and rent. That is something that actually we are spending time internally looking at and trying to essentially prepare ourselves, you know, for what our longer projections will be in the next five to ten years. So it's an issue that we're going to be paying some closer attention to and looking at to see if there may be some routes that we can provide. Particularly given that our reserves are really meant in the future to offset our costs. How we can control those so that we can best utilize our reserves and resources.

CHAIRMAN WALLACE: Well, I tell you on the rent, as marvelous as the Senator Hotel is, it's not the cheapest place in town. It's a great place to be but a lot of our -- it's just *my* own observation. I have just been in the market up there and it is expensive.

MS. RILEY: Fortunately, five years ago, or nearly five years ago, we renegotiated our lease there. And at that time markets were a little more depressed, they had a lot more vacancies, so we're in that building at a very good rate structure.

CHAIRMAN WALLACE: For the bulk of, other than incremental additions.

MS. RILEY: Yes, yes.

MS. PARKER: Our big challenge is going to be when that contract --

MS. RILEY: When that contract is up.

CHAIRMAN WALLACE: When is that up?

MS. RILEY: We have five more years in that building.

CHAIRMAN WALLACE: Well, you can't do much with that. But having said that, with all due respect, a lot of our operation is what you term in the industry as back room operations.

MS. RILEY: That's true, yes:

CHAIRMAN WALLACE: I've been on the board of World Savings and I know they moved to -- I don't want you moving to Texas like they did their back room operations but there is cheaper space when the time comes. As good a spot as that is, we are paying a premium for that.

MS. RILEY: As Terri mentioned, we're beginning our planning strategy; we've been talking about it already. What to do in the next five, you know, when that five years rolls around.

CHAIRMAN WALLACE: And that translates into so many affordable units, Kristin, that you were asking about. Keep an eye peeled on the longer term.

MS. HAWKINS: Clark, will you be suggesting that we move the Capitol too?

CHAIRMAN WALLACE: To Texas. Move the Capitol to Texas and we'll go with them.

MR. HOBBS: I've got a recommendation just down the freeway if anyone is interested in talking to me.

CHAIRMAN WALLACE: Hercules is a good back office location, right? Yes, Kristin.

MS. FAUST: My question which I ask as a new Board Member is Y2K compliance. The Agency is Y2K compliant?

MS. RILEY: Absolutely.

MS. FAUST: The budget addresses all that? Okay.

CHAIRMAN WALLACE: Good question.

MS. PARKER: Actually the Secretary-and we will be part, and every other state agency given the Governor's leadership on this issue and the tremendous concerns-has actually called for audits to be done of every state agency. We will be participating in that. But we have actually -- We have gone through and done this from the standpoint of for ourselves so we're expecting to go through with flying colors.

CHAIRMAN WALLACE: The Chair would accept a motion from Mr. Czuker, seconded by all the rest of you, on the budget.

MR. CZUKER: So moved.

MR. HOBBS: In unison we second.

CHAIRMAN WALLACE: Second, everyone.

MS. OJIMA: Everyone.

CHAIRMAN WALLACE: I don't mean to play too light with this, I know you have done a very thorough job. And with what's happened on salaries understandably you've essentially held the line.

MS. RILEY: Exactly.

CHAIRMAN WALLACE: That's credible and well done to you. Any discussion on the motion? Hearing none, seeing none, all in favor -- We're not in that much of a hurry. Secretary, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Aye.

MS. OJIMA: Ms. Contreras-Sweet?

MS. CONTRERAS-SWEET: 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. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo is gone. Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-24 has been approved.

CHAIRMAN WALLACE: Resolution 99-24 relative to our upcoming budget is adopted. Thank you. Thank you, Jackie, and your staff.

MS. RILEY: Thank you very much.

OTHER BOARD MATTERS

CHAIRMAN WALLACE: Item 7 has to do with other Board Members' comments or items that were not agendaized. Bob, we got yours.

MR. KLEIN: Thank you.

CHAIRMAN WALLACE: And Kristin got a recommendation. Anything else for the good of the order that wasn't on the agenda from the Board? We'll save the rest of you for last. From the Board?

PUBLIC TESTIMONY

Seeing none, any members of the public, Item 9, who want to bring up something that wasn't otherwise on the agenda? If not, well done, Dick and Terri and all of you and John and all that worked on the Business Plan.

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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 120, 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 26th day of May, 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 18th day of June, 1999, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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Executive Summary

Date: 22-Jun-99

Project Profile:

Project : Norwalk Senior Apts.
Location: E. & W. of San Antonio
City: Norwalk
County: Los Angeles
Type: Senior

Borrower: TBD
GP: Found. For Affordable
LP: K&B
Program: Tax Exempt
CHFA # : 99-001-S

Financing Summary:

	Final	Pet Unit
CHFA First Mortgage	$11,200,000	$46,667
LA County	$1,800,000	$7,500
Grants and Gifts	$0	$0
Deferred Developer Equity	$445,235	$1,855
Tax Credits	$5,009,161	$20,872
CHFA Bridge	$0	$0
CHFA HAT	$0	$0

Loan to Value 77.5%

Loan to Cost 60.7%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	550	82	50%	$420	$17,950
2 BR	700	12	50%	$476	$20,525
1 BR	550	96	60%	$548	$24,630
2 BR	700	46	60%	$656	$27,690
2 BR	700	4	Manager	$656	N/A
		240			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Project Name: Norwalk Senior Apartments
CHFA Ln. # 99-001-S

SUMMARY:

This is a Final Commitment request for a first mortgage in the amount of $1 1,200,000 amortized over thirty-five years. The project is Norwalk Senior Apartments, a 240 unit, senior, new construction project located at 14104 & 14029 San Antonio Drive in Norwalk in Los Angeles County.

LOAN TERMS:

1st Mortgage Amount:	$1 1,200,000
Interest Rate:	*6.05%*
Term:	35 year fixed, fully amortized
Financing:	Tax-Exempt

LOCALITY INVOLVEMENT:

The property is being purchased from the Redevelopment Agency of the City of Norwalk for $2,800,000. According *to* the DDA Agreement, no money will change hands, rather the 20,000 square foot fully furnished Senior Center adjacent to the project will be built by the Borrower at a cost not to exceed $2,800,000. The senior center will be located next to the portion of the project located on the east side of San Antonio Drive.

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
LA County	$1,800,000	residual receipts, simple interest	35	3.00%

Los Angeles County is requiring 40% of the units be rented to tenants earning *50%* or less of the county median income. This income restriction is in place for *55* years.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Mkt. Rate Avg.	Difference	Percent
One bedroom				
50%	$420	$654	$234	64%
60%	$476		$178	73%
Two Bedroom				
50%	$548	$825	$277	66%
60%	$656		$169	80%

The unit floorplans and the amenities in this project are comparable to those offered in market rate apartments.

B. Estimated Lease-Up Period:

Based on the design and amenities as well as the demand in the local market, Norwalk Senior Apartments is projected to reach stabilized occupancy within 11 months of completion. Aggressive pre-leasing could easily accelerate stabilized occupancy.

PROJECT DESCRIPTION:

A. Site Design:

The project is zoned PUD on two non-contiguous sites totaling 5.1 acres and located on both sides of San Antonio Drive. Each site will have a different style apartment type. On the east side of San Antonio Drive is a four story, elevator courtyard type building (the "Courtyard units"); and on the west side of San Antonio Drive are garden-style apartments (the "Garden units").

The floorplans consist of 240 one and two bedroom units broken down as follows: the Courtyard units will contain 82, one bedroom, one bath units ranging from 549 to 569 square feet and 30, two bedroom, one bath units ranging from 700 to 722 sq. feet. The Garden units will contain 96, one bedroom, one bath units ranging from 532 to 548 square feet and 32, two bedroom, one bath units, all 717 square feet. There are a total of 199 open parking spaces: 80 at the Courtyard units and 119 at the Garden units. There will be one common laundry room at both the Courtyard and Garden units. Tenants may use the amenities at either site.

The Garden units will consist of 10, two story, garden-style walk-up apartment buildings with a 2,400 square foot recreation center, including a pool and a spa. The recreation center will include a multi-purpose kitchen, media room, leasing office and library. The building will be wood framed with a stucco finish. Timbered trellises and overhangs will be incorporated into the balconies. The roof will be concrete tile and the construction will be concrete slab on grade with wood framing. The exterior stairs will be covered by a breezeway.

The Courtyard units will be in one, four story, courtyard elevator building with interior corridors and a recreatiodresidents center. The recreatiodresidents center will include a multi-purpose kitchen, media room, leasing office and library. Three atriums will provide natural light, ventilation and a view to the units and corridors. Additional craftsmen style detailing on the balconies, similar to that found at the Garden units, includes timbered trellises and overhangs. Construction will be a concrete slab on grade with wood framing, with a concrete tile roof.

B. Project Location:

The project is located at 14104 & 14029 San Antonio Drive at Pioneer Boulevard, one mile east of Golden State Interstate I-5 Freeway. The project is an in-fill downtown site adjacent to a Senior Center that will be completed by year end 1999. Surrounding the Courtyard units are the new Senior Center (under construction) to the north, a HUD 202 senior high rise project to the east, a small commercial strip center, a gas station and a small food mart to the south and the proposed Garden units to the west. Surrounding the Garden units are a medical/dental clinic and single and multi-family condominium properties to the north, a Savings and Loan and a small two story commercial strip center to the west, two automobile outlets to the south and the Courtyard units to the east.

The Senior Center, currently under construction, is to include a multi-purpose room with bingo equipment, a kitchen and pantry; a dance floor; an exercise room with aerobics machines; a conference room; a theatre; medical examination rooms; a crafts room; a card room; a library with a computer center; a billiards room with three pool tables; bathrooms and a general seating area.

The project is within walking distance of most services including grocery stores, restaurants, *dry* cleaner, medical services and parks. The project is on a bus mute with a bus stop one block away.

MARKET:

A. Market Overview:

Norwalk is 16 miles from downtown Los Angeles and it is located in the southeast section of Los Angeles County. Interstate 5 and 605 run through Norwalk. Metrolink offers transportation to downtown Norwalk and Orange County and on the west side there is a new light rail service to the Los Angles Airport and downtown Los Angeles.

Initial residential development in Norwalk occurred after World War II which developed as a bedroom residential community for the City of Los Angeles, but it has since developed a strong industrial sector. Norwalk incorporated in 1957 and is one of Los Angeles County's oldest suburbs. Most residential development in Norwalk occurred during two decades, the 1940's and 1950's with the construction of single family, two and three bedroom, single story homes. The primary employers in Norwalk are government agencies: Norwalk Unified School District (3,000 people), Metropolitan State Hospital (1,800 people) and Cerritos College (1,200 people).

The population of Norwalk in 1998 was approximately 102,250. Figures are not available for people aged 62+, but are available for people aged 65 and over ("65+"). Population growth in Norwalk has increased 8.4%, since 1990, which is higher than the 5% increase in the population in Los Angeles County. According to the 1998 estimated census, the number of people in Norwalk aged 65+ is 8,018 and is expected to increase by 12%, to 8,963 people by the year 2003.

B. Market Demand:

The primary market area ("PMA") for this project spans a five to six mile radius and includes the Cities of Norwalk, Bellflower and Cerritos. The city of Norwalk accounts for 12% of the PMA population. The PMA is a densely populated area with 864,307 residents of which 49,095 (18%) are 65+ households.

Percentage Of Senior Households By Income Category

Location	0-50% AMI	51-80%AMI	81%+ AMI
Norwalk	19,652	9,244	20,199

Of the 49,095 households, 12,018 households (24.5%) have median income 50% and 60% of the county median ("AMI")and could income qualified for residency in this project. As of the 1990 Census, 23% of all households 65+ (10,748) in the PMA were renters. While current information does not specifically address the living habits of households 62+, as of 1998, 35% of all residents of the city of Norwalk were renters and 42% of the PMA population were renters.

National residency patterns indicate that persons 65+ will dominate the resident mix in senior projects, regardless of the actual age restriction. The average age of 75 reported at existing senior affordable housing projects in the PMA conforms to this pattern. The Norwalk PMA can support 3,640 apartments for seniors 55+. When the age restriction of 62+ is considered, the forecasted demand decreases by approximately 5% to 3,467 units.

According to the city of Norwalk Housing Authority, there is a waiting list of 1,256 households for its Section 8 Tenant Based Rental Assistance program of which 111 are elderly households. All of these households are below the income limit of 50% of AMI.

The overall average occupancy rate for Los Angeles County was 93.1% in 1998 and continues to increase steadily while rental rates increase. Occupancy among the 19 surveyed senior projects in the PMA averaged 96.9% in December 1998. Only one unit at the seven low income house tax credit ("LIHTC") complexes surveyed was vacant at the time of the market study, resulting in an occupancy rate of 99.8% for LIHTC units.

C. Market Supply:

Apartment construction continues to fall short of demand. Population in the Los Angeles County areas increased by more than 670,000 people since 1990, while the net increase in new housing is estimated at 83,000 units. An estimated 4,000 units of new and redevelopment product are expected in Los Angeles County in 1999 and demand will continue to exceed supply. Rents are expected to increase approximately five percent with the average rent in Los Angeles County at approximately $960.

The appraisal identified fifteen apartment complexes (family and senior) with 96 units or more in the PMA. The fifteen complexes averaged 171 units in size and the average year of construction was 1971. Within the PMA, vacancy rates for these fifteen complexes fell from 6.1% in June 1997 to 3.6% in March 1999. Within this same period, rents increased from an average of $747 to $785. In all unit floorplans, there were no decreases in rental rates. At this time no concessions are being offered at any apartment complex.

An additional analysis through a market study emphasized age restricted complexes, regardless of size within the PMA and reviewed nineteen senior apartment projects with a total of 2,361 units and six general occupancy projects totaling 1,351 units. Of the 2,361 units in the senior projects, 742 units (31%) are subject to income restrictions. Of the 742 units, 564 units are in seven LMTC projects and of those 380 are limited to 50% AMI and 214 are limited to 60% AMI. Six of the seven LMTC projects limit occupancy to 62+, only one of the market projects includes this restriction. The remaining ten market projects limit occupancy to people 55 and older.

Not including this project, seven senior apartment projects with a total of 587 units are in various stages of predevelopment. Two projects (150 units) are in the discussion stages, four (276 units) have been approved and one project (161 units) is under construction. Including this project, and assuming the rest of the projects are completed, the PMA will still be short of an adequate supply of units by approximately 755 units.

OCCUPANCY RESTRICTIONS:

CHFA: **20%** of the units (48) will be restricted to ***50%*** or less of median income.
County of Los Angeles:
40% of the units (96) will be restricted to ***50%*** or less of median income.
TCAC: **100%** of the units (240) will be restricted to 60% or less of median income.

NMENT

CHFA received a Phase I-Environmental Assessment Report prepared by Krazan and Associates, Inc. dated January 14, 1999. A reliance letter has been requested from the Borrower. The Agency must obtain proof of and approve the resolution to the problem of two leaking gasoline storage tanks at the Shell Oil Service Station and the former Five Points U Serve station prior to the commencement of construction.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The initial General Partner for the limited partnership Norwalk Housing Investor, L.P., is Kaufman and Broad Multi-Housing Group, Inc., a California corporation ("KBMH'). After completion of construction, the Managing General Partner will be Foundation for Affordable Housing III, Inc., a Delaware non-profit, public benefit corporation ("the Foundation"). The Foundation was established in 1993 to acquire, develop and promote affordable housing and housing for families and senior citizens. They are the Managing General Partner of fourteen family and senior projects with a total of 2,114 units in California and Texas.

B. Contractor

KBMH Construction, Inc. is the general contracting subsidiary of KBMH and will serve as the general contractor. They were founded in 1995 and KBMH Construction, Inc. has completed fourteen new apartment complexes, with totaling more than 1,500 units in California, Colorado, Texas, Kansas and Utah. In addition, they have overseen construction of an additional eleven projects in their capacity as construction manager when KBHM has been the tax-credit investor.

C. Architect

Kaufinan and Broad Architecture Group ("KBAC"), based in Newport Beach, was formed in 1988 and is a division of Kaufinan and Broad Home Corporation ("KBHC). KBAC provides all architectural and landscaping services for KBHC and its affiliates.

D. Management Agent

AIMCO Apartment Investment & Management Company ("AIMCO') will provide on-site property management services. AIMCO is a Colorado based self-managed REIT and the largest multi-family property manager in the country with 2,272 properties and a total of *397,646* residential units in the United States and Puerto Rico. AIMCO manages the full spectrum of apartments, from affordable to luxury units and they pride themselves on providing prompt and creative strategies for marketing and resident relations.

AIMCO has a decentralized management structure that allows each region to act independently. In the Great West Division of AIMCO, which includes California, they manage 437 properties with a total of 65,644 units. In the Los Angeles area they manage 74 properties with a total of 10,843 units.

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Project Summary

837 Date: 22-Jun-99

Project Profile:

Project :	Norwalk Senior Apts.	*Appraiser:*	Mike Abergel
Location:	E. & W. of San Antonio		Abergel & Associates
	Norwalk	*Cap* Rute:	8.75%
County/Zip:	Los Ange 90650	Market:	$ 14,500,000
Borrower:	TBD	*Income:*	$ 14,400,000
GP:	Found. For Affordable	*Final Value:*	$ 14,450,000
LP:	K&B		
		LTC/LTV:	
Program:	Tax Exempt	*Loan / Cost*	60.7%
CHFA #:	99-001-S	*Loan / Value*	77.5%

Project Description:

Units	240
Handicap Units	12
Bldge Type	New Const.
Buildings	12
stories	2-4
Gross Sq Ft	165,700
Land Sq Ft	222,278
Units/Acre	47
Total Parking	304
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$11,200,000	$46,667	6.05%	35
LA County	$1,800,000	$7,500	0.00%	35
Loan 5	$0	$0	0.00%	-
Other Loans	$0	$0		
Grants and Gifts	$0	$0		
Tax Credit Equity	$5,009,161	$20,872		
Deferred Developer Fee	$445,235	$1,855		
CHFA Bridge	$0	$0	0.00%	-
CHFA HAT	$0	$0	0.00%	-

a

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	550	82	50%	$420	$17,950
2 BR	700	12	50%	$476	$20,525
1 BR	550	96	60%	$548	$24,630
2 BR	700	46	60%	$656	$27,690
2 BR	700	4	Manager	$656	N/A
		240			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$112,000	Cash
Finance Fee	1.00%	of Loan Amount	$112,000	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$112,000	Letter of Credit
Rent up Account	15.00%	of Gross Income	$228,816	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$152,544	Letter of Credit
Marketing	10.00%	of Gross Income	$152,544	Letter of Credit
Annual Replacement Reserve Deposit	0.60%	of Hard Costs	$58,958	Operations

Sources and Uses

Norwalk Senior Apts.

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	11,200,000	60.69%	67.59	46,667
CHFA Bridge	0	0.00%	-	0
CHFA HAT	0	0.00%	-	0
LA county	1,800,000	9.75%	10.86	7,500
Loan 5	0	0.00%	-	0
Other Loans	0	0.00%	-	0
Total Institutional Financing	**13,000,000**	**70.44%**	**78.46**	**54,167**
Equity Financing				
Tax Credits	5,009,161	27.14%	30.23	20,872
Deferred Developer Equity	445,235	2.41%	2.69	1,855
Total Equity Financing	**5,454,396**	**29.56%**	32.92	22,727
TOTAL SOURCES	**18,454,396**	**100.00%**	**111.37**	76,883

USES:

Acquisition	3,084,736	16.72%	18.62	12,853
Rehabilitation	0	0.00%	-	0
New Construction	10,445,109	56.60%	63.04	43,521
Architectual Fees	342,615	1.86%	2.07	1,428
Survey and Engineering	386,900	2.10%	2.33	1,612
Const. Loan Interest & Fees	820,092	4.44%	4.95	3,417
Permanent Financing	254,500	1.38%	1.54	1,060
Legal Fees	148,000	0.80%	0.89	617
Reserves	533,904	2.89%	3.22	2,225
Contract Costs	14,500	0.08%	0.09	60
Construction Contingency	528,801	2.87%	3.19	2,203
Local Fees	550,000	2.98%	3.32	2,292
TCAC/Other Costs	145,239	0.79%	0.88	605
PROJECT COSTS	**17,254,396**	**93.50%**	**104.13**	71,893
Developer Overhead/Profit	1,050,000	5.69%	6.34	4,375
Consultant/Processing Agent	150,000	0.81%	0.91	625
TOTAL USES	**18,454,396**	**100.00%**	**111.37**	76,893

Annual Operating Budget — Norwalk Senior Apts.

		% of total	$ per unit
INCOME:			
Total Rental Income	1,506,720	98.8%	6,278
Laundry	18,720	1.2%	78
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**1,525,440**	**100.0%**	6,356
Less:			
Vacancy Loss	76,272	5.0%	318
Total Net Revenue	**1,449,168**	**95.0%**	**6,038**
EXPENSES:			
Payroll	150,832	10.8%	628
Administrative	135,727	9.7%	566
Utilities	103,294	7.4%	430
Operating and Maintenance	124,000	8.8%	517
Insurance and Business Taxes	48,718	3.5%	203
Taxes and Assessments	10,000	0.7%	42
Reserve for Replacement Deposits	58,958	4.2%	246
Subtotal Operating Expenses	**631,529**	**45.0%**	2,631
Financial Expenses			
Mortgage Payments (1st loan)	770,853	55.0%	3,212
Total Financial	**770,853**	55.0%	3,212
Total Project Expenses	**1,402,382**	**100.0%**	**5,843**

Cash Flow Norwalk Senior Ap CHFA # 99-001-S

RENTAL INCOME	Year 1	Year 2	Yeu 3	Year 4	Yeu 5	Tear 6	Year 7	Year 8	Year 9	Year10
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Rents	N/A	N/A	N/A	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 Rentn	1,506,720	1,544,388	1,582,998	1,622,573	1,663,137	1,704,715	1,747,333	1,791,017	1,835,792	1,881,687
TOTAL RENTAL INCOME	**1,506,720**	**1,544,388**	**1,582,998**	**1,622,573**	**1,663,137**	**1,704,715**	**1,747,333**	**1,791,017**	**1,835,792**	**1,881,687**
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	18.720	19,188	19,668	20,159	20,663	21.180	21,709	**22,252**	**22,809**	23,379
Other Income	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
TOTAL OTHER INCOME	**18,720**	**19,188**	**19,668**	**20,159**	**20,663**	**21,180**	**21,709**	**22,252**	**22,809**	**23,379**
GROSS INCOME	**1,525,440**	**1,563,576**	**1,602,665**	**1,642,732**	**1,683,800**	**1,725,895**	**1,769,043**	**1,813,269**	**1,858,601**	**1,905,066**
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%**	6.00%	**5.00%**	**5.00%**	6.00%	**5.00%**	**5.00%**	**5.00%**	**5.00%**
Less: Vacancy Loss	76,272	78,179	80,133	82,137	84,190	86,295	88,452	90,663	92,930	95,253
EFFECTIVE GROSS INCOME	**1,449,168**	**1,485,397**	**1,522,532**	**1,560,595**	**1,599,610**	**1,639,601**	**1,680,591**	**1,722,605**	**1,765,671**	**1,809,812**
OPERATING EXPENSES										
Annual ***Expense Increase***	**4.00%**	**4.00%**	**4.00%**	4 . m	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
Expenses	562,571	585,074	608,477	632,816	658,128	684,454	711,832	740,306	769.917	800,714
Replacement Reserve	**58,958**	58,958	**58,958**	58.958	58,958	58,958	61,906	61,906	61,906	61,906
Annual Tat ***Increase***	**2.00%**	**2.00%**	2 . m	**2.00%**	2.00%	**2.00%**	2.00%	**2.00%**	**2.00%**	2.00%
Taxes and Assessments	10,000	10,200	10,404	10.612	10.824	11.041	11,262	11.487	11.717	11,951
TOTAL EXPENSES	**631,529**	**654,231**	**677,838**	**702,386**	**727,910**	**754,452**	**784,999**	**813,697**	**843,539**	**874,570**
NET OPERATING INCOME	**817,639**	**831,166**	**844,694**	**858,210**	**871,700**	**885,149**	**895,592**	**908,908**	**922,131**	**935,242**
DEBT SERVICE										
CHFA- **1st Mortgage**	770,853	770,853	770.853	770,853	770,853	770,853	770,853	770,853	770,853	770,853
CHFA- **Bridge Loan**	0	0	0	0	0					
CHFA- HAT **Loan**	0	0	0	0	0					
CASH FLOW after debt service	**46,786**	**60,313**	. **73,841**	**87,357**	**100,847**	**114,295**	**124,739**	**138,055**	**151,278**	**164,389**
DEBT **COVERAGE RATIO**	**1.06**	**1.08**	1.10	1.11	1.13	**1.15**	1.16	1.18	**1.20**	1.21

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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 Renb	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 Renb	1,928,729	1,976,947	2,026,371	2,077,030	2,128,956	2,182,180	2,236,734	2,292,653	2,349,969	2,408,718
TOTAL RENTAL INCOME	1,928,729	1,976,947	2,026,371	2,077,030	2,128,956	2,182,180	2,236,734	2,292,653	2,349,969	2,408,718
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	23,963	24,562	25,176	25,806	26,451	27.112	27.790	28,485	29,197	29.927
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	23,963	24,562	25,176	25,806	26,451	27,112	27,790	28,485	29,197	29,927
GROSS INCOME	1,952,692	2,001,509	2,051,547	2,102,836	2,155,407	2,209,292	2,264,524	2,321,137	2,379,166	2,438,645
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	97,635	100,075	102,577	105,142	107,770	110,465	113,226	116,057	118,958	121,932
EFFECTIVE GROSS INCOME	1,855,058	1,901,434	1,948,970	1,997,694	2,047,636	2,098,827	2,151,298	2,205,081	2,260,208	2,316,713
OPERATING EXPENSES										
Annual Expense Increase	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4 . m
Expenses	832,743	866,052	900,694	936.722	974.191	1,013,169	1,053,685	1,095,832	1,139,666	1,185,252
Replacement Reserve	61,906	65,001	65.001	65,001	65.001	65,001	68.251	68,251	68,251	68,251
Annual Tar Increase	2.00%	2.00%	2.00%	2 . m	2 . m	2.00%	2.00%	2.00%	2.00%	2 . m
Taxes and Assessments	12,190	12,434	12,682	12,936	13,195	13,459	13,728	14,002	14,282	14,568
TOTAL EXPENSES	906,838	943,487	978,378	1,014,659	1,052,387	1,091,618	1,135,664	1,178,086	1,222,199	1,268,071
NET OPERATING INCOME	948,220	957,947	970,592	983,035	995,250	1,007,209	1,015,634	1,026,995	1,038,009	1,048,642
DEBT SERVICE										
CHFA - **1st Mortgage**	770,853	770,853	770,853	770,853	770,853	770,853	770,853	770,853	770,853	770,853
CHFA - **Bridge** Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	177,366	187,094	. 199,739	212,182	224,397	236,356	244,781	256,142	267,155	277,788
DEBT COVERAGE RATIO	1.23	1.24	1.26	1.28	1.29	1.31	1.32	1.33	1.35	1.36

Cash Flow

RENTAL INCOME	Tea21	Tau22	Tau23	Year 24	Year 25	Tear26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Rente	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 . m	2.50%	2.50%	2.50%	2.50%
Affordable Rents	2,468,936	2,530,660	2,593,926	2,658,774	2,725,244	2,793,375	2,863,209	2,934,789	3,008,159	3,083,363
TOTAL RENTAL INCOME	2,468,936	2,530,660	2,593,926	2,658,774	2,725,244	2,793,375	2,863,209	2,934,789	3,008,159	3,083,363
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2 . m	2.50%	2.50%	2.50%	2.50%
Laundry	SO.676	31,442	32,228	33,034	33.859	34,706	35.573	36,463	37374	38309
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	30,675	31,442	32,228	33,034	33,859	34,706	35,573	36,463	37,374	38,309
GROSS INCOME	2,499,611	2,562,101	2,626,154	2,691,808	2,759,103	2,828,081	2,898,783	2,971,252	3,045,533	3,121,672
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%	6 . m	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	124,981	128,105	131,308	134,590	137.955	141,404	144,939	148563	152,277	166084
EFFECTIVE GROSS INCOME	2,374,631	2,433,996	2,494,846	2,557,217	2,621,148	2,686,676	2,753,843	2,822,689	2,893,257	2,965,588
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4m	4.00%	4 . m	4.00%	4 . m	4.00%	4.00%	4.00%
Expenses	1,232,662	1,281,969	1,333,248	1,386,577	1,442,041	1,499,722	1,559,711	1,622,100	1,686,984	1,754,463
Replacement Reserve	68,251	71,663	71,663	71,663	71,663	71,663	75.247	75347	76.247	75,247
Annual Tar Increase	2.00%	2.00%	2m	2 . m	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	14,859	16.157	15.460	15,769	16,084	16.406	16,734	17,069	17,410	17,758
TOTAL EXPENSES	1,315,773	1,388,789	1,420,371	1,474,010	1,529,788	1,587,792	1,651,692	1,714,415	1,779,640	1,847,468
NET OPERATING INCOME	1,058,858	1,065,207	1,074,475	1,083,207	1,091,359	1,098,885	1,102,152	1,108,275	1,113,616	1,118,120
DEBT SERVICE										
CHFA - 1st Mortgage	770,853	770,853	770,853	770,853	770.853	770,853	770,853	770,853	770,853	770,853
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	288,005	294,354	303,622	312,354	320,506	328,032	331,298	337,421	342,763	347,267
DEBT COVERAGE RATIO	1.37	1.38	1.39	1.41	1.42	1.43	1.43	1.44	1.44	1.45

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Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Tear35
Market Rent Increase	N/A	N/A	N/A	N/A	N/A
Market Rents	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	3,160,447	3,239,458	3,320,445	3,403,456	3,488,542
TOTAL RENTAL INCOME	**3,160,447**	**3,239,458**	**3,320,445**	**3,403,456**	**3,488,542**
OTHER INCOME					
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	39,266	40,248	41,254	42,286	43,343
Other Income	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**39,266**	**40,248**	**41,254**	**42,286**	**43,343**
GROSS INCOME	**3,199,714**	**3,279,706**	**3,361,699**	**3,445,741**	**3,531,885**
Vacancy Rate : Market	N/A	N/A	N/A	N/A	N/A
Vacancy Rate : Affordable	5.00%	6 . M	5.00%	5.00%	5.00%
Less: Vacancy Loss	159,986	163,985	168,085	172,287	176.591
EFFECTIVE GROSS INCOME	**3,039,728**	**3,115,721**	**3,193,614**	**3,273,454**	**3,355,291**
OPERATING EXPENSES					
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	1,824,641	1,897,627	1,973,532	2,052,473	2,134,572
Replacement Reserve	75,247	79,009	79,009	79,009	79,009
Annual Tax Increase	2.00%	2.00%	2 . m	2 . m	2.00%
Taxes and Assessments	18.114	18,476	18,845	19,222	19.607
TOTAL EXPENSES	**1,918,002**	**1,995,112**	**2,071,386**	**2,150,705**	**2,233,188**
NET OPERATING INCOME	**1,121,726**	**1,120,609**	**1,122,228**	**1,122,750**	**1,122,103**
DEBT SERVICE					
CHFA - 1st Mortgage	770,853	770,853	770,853	770.853	770.853
CHFA - Bridge Loan					
CHFA - HAT Loan					
CASH FLOW after debt service	**350,873**	**349,756**	**351,374**	**351,897**	**351,250**
DEBT COVERAGE RATIO	**1.46**	**1.45**	**1.46**	**1.46**	**1.46**

Norwalk Senior Apartments - Regional

844

Norwalk Senior Apartments - Local

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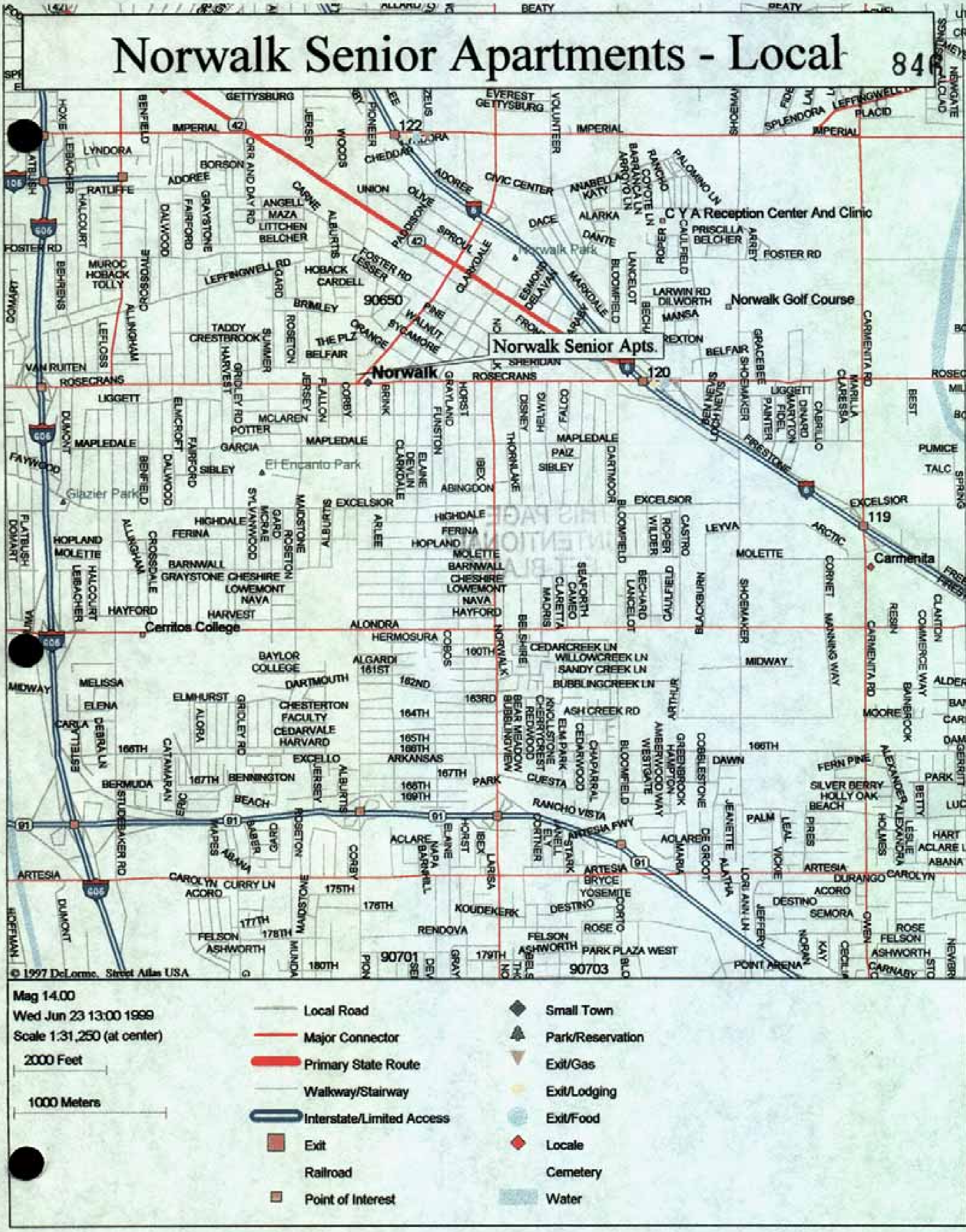

RESOLUTION 99-25

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Norwalk Housing Investors, L.P., (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 240-unit multifamily housing development located in the City of Norwalk to be known as Norwalk Senior Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 22, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on August 17, 1998, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
99-001-S	Norwalk Senior Apartments Norwalk/Los Angeles	240	$11,200,000

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 99-25 adopted at a duly constituted meeting of the Board of the Agency held on July 8, 1999, at Sacramento, California.

ATTEST:______________
Secretary

Executive Summary

Date: 22-Jun-99

Project Profile:

Project :	Casa Ramon	*Borrower:*	Casa Ramon, LP
Location:	840 W. Walnut Ave	*GP:*	Avalon Communities
City:	Orange	*LP:*	Related Capital
County:	Orange	*Program:*	Tax Exempt
Type:	Family	*CHFA #:*	98028S

Financing Summary

	Final	Per Unit
First Mortgage	$4,744,000	$63,253
IRP Bonds Loan	$398,560	$5,914
Taxable Loan	$425,000	$5,667
Income During Rehab	$309,838	$4,131
Loan 5	$0	$0
Other Loans	$0	$0
Developers Contribution	$0	$0
Deferred Developer Equity	$0	$0
Tax Credits	$1,745,890	$23,279

Loan to Value
TBD

Loan to Cost
62.2%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	750	5	50% CHFA	609	$26,425
2 BR	928	8	50% CHFA	725	$29,600
3 BR	1160	2	50% CHFA	838	$32,900
1 BR	750	21	60% TCAC	737	$31,710
2 BR	928	32	60% TCAC	879	$35,520
3 BR	1160	6	60% TCAC	1015	$31,710
2 BR	928	1	Manager	879	MKT
		75			

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Casa Ramon
HUD 236 Housing Preservation

Overview

CHFA has been requested to participate in a housing preservation transaction involving a subsided low-income project, Casa Ramon, located in the City of Orange in Orange County. The current owner has the right to prepay the HUD mortgage and terminate the affordability restrictions. The proposed financing utilizes the 236 mortgage interest subsidy from HUD to augment the financing, so as to preserve these units as affordable housing. The private sector will bear all the credit risk in this transaction. The California Housing Finance Agency (CHFA) will act as regulator on behalf of HUD to ensure proper management for the term of the bonds.

Charter Municipal Mortgage Acceptance Company ("Charter Mac") will purchase bonds in the amount of $5,567,560 issued by the California Statewide Community Development Authority (CSCDA) for the benefit of the above referenced property. The estimated amount of the tax exempt bond principal allocated to the real estate component is $4,744,000 and the principal amount allocated to the Interest Reduction Payments (the "IRP Bonds") is $398,500. A taxable bond of $425,000 will be also be issued.

The term of the IRP Bonds will be amortized over the tern of IRP payments which is approximately 13 years. The real estate bonds, income and rent restrictions are predicated on 35 years, the term of the tax-exempt bonds.

Background

Project. Casa Ramon is an existing 75 unit, two story complex with 26 one bedroom units, 41 two bedroom and 8 three bedroom units in five buildings. Casa Ramon was constructed in 1976 and is in need of rehabilitation. The planned scope of work includes: replacing cabinets, floors, paint, appliances, sinks and vanities; refinishing tubs; installing smoke detectors and upgrading the ventilation systems in three bedroom units. These upgrades will allow the property to compete in the marketplace while maintaining the affordability restrictions.

The rehabilitation budget for Casa Ramon is approximately $1.5 million or $20,000 per unit.

Ownership. A California limited partnership will be formed to acquire and rehabilitate the property with the following participants:

Managing General Partner:	SER-Jobs For Progress, a 501(c)(3) Corporation. SER-Jobs will oversee compliance and social

	service related issues and assure the physical management of the property.
Administrative General Partner:	Avalon Communities, a for-profit entity Avalon Communities will be the developer charged with overseeing the financing, construction and ongoing financial needs of the property, as well as the regulatory compliance issues dealing with the 236 agreement.
Limited Partner:	Related Capital or affiliate will be the provider of equity through the purchase of tax credits
Property Manager:	Murray Management Murray Management will be the property manager and will be charged with all rental and marketing issues, as well as preparing the annual budget.

Financing. The Project has an FHA-insured 236 mortgage that is current and well past the 20th anniversary from final endorsement. The IRP on the 236 mortgage has 13 years remaining. FNMA is the mortgagee.

Section 8. The Project is 100% LMSA assisted. The owner will apply to HUD for a five year extension to the existing contract and seek and increase in contract rents pursuant to HUD's proposed "Mark-up-to-Mark".

Conversion Value. The Project is well maintained and has conversion value. The FMRs are above the current 236/HAP rents, and above the Low-Income Housing Tax Credit (the Credit) rents. The Project will not remain 236 restricted because of its value and the fiduciary obligation of the current ownership.

Benefits of Transaction

Housing Stock. But for the transaction outlined below, the affordable housing stock will be reduced when the Project's 236 mortgage is prepaid. If this transaction does not occur, the current ownership will either prepay or sell to an entity that will prepay. The proposed transaction will preserve the units as affordable at the Credit levels for 35 years.

Rents. Rents will be governed by IRC Section 42 (the Credit rules) with further affordability imposed by CHFA. The Credit rules mandate that the units allocated Credits be targeted to families at or below 60% of area median income (adjusted for family-size) and that rent be set at 30% of 60% of area median income. As a condition of receiving a tax-exempt bond allocation, income targeting will be further reduced such that 20% of the units will be targeted to tenants at or below 50% of area median income, consistent with IRC Section 42. Violations by the owner/manager of these targeting requirements will result in default under the CHFA regulatory agreement and the bond indenture.

FHA Insurance. The owners will privately place the tax-exempt bonds to be issued. FHA insurance is not required on the 236 mortgage, the existing insurance will be terminated upon transfer to CHFA.

Delegation of Authority. HUD can delegate to CHFA oversight of the Project. CHFA and TCAC will separately review the income compliance, as well as the physical upkeep of the Project. Financial monitoring will be undertaken by CHFA with respect to the 236 loan. HUD's local office no longer has to be involved.

Rehabilitation. Though the Project is well maintained, it is 27-years old and requires rehabilitation. The owners intend to spend approximately $20,000 per unit.

Subsidies. No additional subsidies will be provided by HUD. The IRP will continue to flow at the same level for the same term as long as CHFA remains the mortgagee (see below). That said, substantial State and local subsides will be brought to bear to accomplish the income targeting and the rehabilitation (e.g., tax-exempt financing, Credits, property tax-exemption). Without these critical subsidies, the rents collected cannot be set at the above-mentioned levels.

Proposed Financing

New Ownership. Avalon Communities will be the administrative general partner of the partnership that will own the Project. SER-Jobs for Progress, a 501(c)(3) entity, will be the managing general partner of the partnership.

Debt. Tax-exempt bonds will be issued by the California Statewide Community Development Authority, to support the acquisition and rehabilitation of the Project, as well as to purchase the 236 mortgage. The bonds will be privately placed with Charter Mac and HUD will bear no risk on the bonds.

236 Mortgagee. . The IRP is important to the transaction. The proposal is for CHFA to hold the 236 mortgage after a transfer from FNMA, the current 236 mortgagee. CHFA will receive the IRP--not more, not less, not for a longer period than is the case now and will delegate collection and disbursement of the payments to the bond trustee.

Equity The 4% Credit will be allocated to the Project by TCAC. This investor will bear compliance and foreclosure risk and thus, has a stake in maintenance of the affordability and the financial integrity of the Project.

Basic Rents. 236 statutes require a Basic Rent be established. The Basic Rent for these 236(b) Project will be based on 1% P and I on the 236 debt, and the expenses necessary to operate the Projects given the affordability and rehabilitation (e.g. normal operating expenses, and 5% vacancy factor (which is the vacancy factor used for underwriting purposes), the principal amortization, interest payments, and other enhancement/issuance fees on the total tax-exempt debt issued, and asset monitoring fees paid to the limited partner investor). All these costs will be incurred by the Project to accomplish the affordability and rehabilitation.

Rents Collected. Notwithstanding the Basic Rent established at the Project, the rents collected from the tenants will be based on IRC Section 42 with the additional CHFA-imposed requirements (e.g., 80% of the units at 60% of area median income and 20% of the units at 50% of areas median income, with rent collected based on IRC Section 42). The stated rent will be the Basic Rent. The rent imposed/collected, by virtue of the subsidies associated with the financing, will be lower so that very low-income families can reside in the Projects. This is analogous to what now occurs at the Project. The Basic Rent is the 236/HAP rent, but the tenants often pay less and the difference is made-up by the LMSA. The owners will do the same thing except the State and local subsidies will effectively make-up the difference between the rent collected and the Basic Rent. It is also important to note, that if the tenants are forced to pay rent higher than that imposed by CHFA and Section 42, we will be in violation of tax law, the transaction dies, and the affordability goals cannot be met.

Requested Approval

Staff request approval from the Board to participate in the above described transaction in the capacity detailed below.

1. CHFA will be the holder of the 236 Mortgage as required by HUD. In this capacity, CHFA will receive and disburse the IRP funds from HUD or delegate the same to the bond trustee.

2. CHFA will act a primary regulator on the Project. In this role, CHFA will exercise its normal and customary oversight functions regarding income compliance and property project maintenance. CHFA will be able to monitor disbursement pursuant CHFA's regulatory agreement. CHFA will also control distribution of excess project cash pursuant to the HUD 236 requirements to assure compliance.

Project Summary

Date: 22-Jun-99

Project Profile:

Project :	Casa Ramon	*Appraiser:*	TBD
Location:	840 W. Walnut Ave		TBD
	Orange	*Cap Rate:*	0.00%
unty/Zip:	Orange 92868	*Market:*	$
Borrower:	Casa Ramon, LP	*Income:*	$
GP:	Avalon Communities	*Final Value:*	TBD
LP:	Related Capital		
		LTC/LTV:	
Program:	Tax Exempt	*Loon/Cost*	62.2%
CHFA #:	98028S	*Loan/Value*	TBD

Project Description:

Units	75
Handicap Units	2.25
Bldg. Type	Acq/Rehab
Buildings	6
Stories	2
Gross Sq Ft	66,468
Land Sq Ft	143,748
Units/Acre	23
Total Parking	107
Covered Parking	75

Financing Summary:

	Amount	Per Unit	Rate	Term
First Mortgage	$4,744,000	$63,253	7.62%	35
IRP Bonds Loan	$398,560	$5,314	0.00%	-
Taxable Loan	$425,000	$5,667	9.12%	35
Income During Rehab	$309,838	$4,131		-
Loan 6	$0	$0		
Developers Contribution	$0	$0		
Tax Credit Equity	$1,745,890	$23,279		
Deferred Developer Fee	$0	$0		
	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	750	5	50% CHFA	609	$26,425
2 BR	928	8	50% CHFA	725	$29,600
3 BR	1,160	2	50% CHFA	838	$32,900
1 BR	750	21	60% TCAC	737	$31,710
2 BR	928	32	60% TCAC	879	$35,520
3 BR	1,160	6	60% TCAC	1,015	$39,480
2 BR	928	1	Manager	879	MKT
		75			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
CHFA Fee	Annual Service Fee		$8,351	Operations
Finance Fee	1.00%	of Loan Amount	$0	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$0	Letter of Credit
Rent u p Account	15.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$0	Letter of Credit
Marketing	10.00%	of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	$200	Per Unit	$15,000	Operations
Initial Deposit for Replacement Reserve	$1,000	Per Unit	$75,000	Cash

SOURCES AND USES				Casa Ramon

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SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
First Mortgage	4,744,000	62.23%	72.46	63,253
IRP Bonds Loan	398,560	5.23%	6.09	5,314
Taxable Loan	425,000	5.58%	6.49	5,667
Income During Rehab	309,838	4.06%	4.73	4,131
Loan 5	0	0.00%	-	0
Loan 6	0	0.00%	-	0
Total Institutional Financing	**5,877,398**	**77.10%**	**89.78**	**78,365**
Equity Financing				
Tax credits	1,745,890	22.90%	26.67	23,279
Deferred Developer Equity	0	0.00%	-	0
Total Equity Financing	**1,748,890**	**22.90%**	**26.67**	**23,279**
TOTAL SOURCES	**7,623,288**	**100.00%**	**116.44**	**101,644**

USES:

Acquisition	4,513,962	59.21%	68.95	60,186
Rehabilitation	1,367,175	17.93%	20.88	18,229
New Construction	0	0.00%	-	0
Architectual Fees	22,000	0.29%	0.34	293
Survey and Engineering	18,000	0.24%	0.27	240
Const. Loan Interest & Fees	253,502	3.33%	3.87	3,380
Permanent Financing Fees	335,599	4.40%	5.13	4,475
Legal Fees	147,500	1.93%	2.25	1,967
Reserves	75,000	0.98%	1.15	1,000
Contract Costs	14,500	0.19%	0.22	193
Construction Contingency	318,314	4.18%	4.86	4,244
Local Fees	131,014	1.72%	2.00	1,747
TCAC/Other Costs	0	0.00%	-	0
PROJECT COSTS	**7,196,566**	**94.40%**	**109.92**	**95,954**
Developer Overhead/Profit	426,722	5.60%	6.52	5,690
Consultant/Processing Agent	0	0.00%	-	0
TOTAL USES	**7,623,288**	**100.00%**	**116.44**	**101,644**

Annual Operating Budget

Casa Ramon

		% of total	$ per unit
INCOME:			
Total Rental Income	733,140	99.1%	9,775
Laundry	6,750	0.9%	90
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	739,890	100.0%	9,865
Less:			
Vacancy Loss	36,995	5.0%	493
Total Net Revenue	702,896	95.0%	9,372
EXPENSES:			
Payroll	0	0.0%	-
Administrative	53,745	8.1%	717
Utilities	0	0.0%	-
Operating and Maintenance	151,650	22.7%	2,022
Insurance and Business Taxes	18,000	2.7%	240
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	15,000	2.2%	200
Subtotal **Operating Expenses**	238,395	35.7%	3,179
Financial Expenses			
Mortgage Payments (1st loan)	429,164	64.3%	5,722
Total **Financial**	429,164	64.3%	5,722
Total Project **Expenses**	667,559	100.0%	8,901

Cash Flow Casa Ramon

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	2.50%	2.50%	2.602	2.50%	2.50%	2.50%	2.50%	2.50%	2 50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Renb	733,140	751.469	770,255	789.512	809,249	829.481	850,218	871,473	893,260	915,591
TOTAL RENTAL INCOME	**733,140**	**751,469**	**770,255**	789,512	809,249	829,481	850,218	871,473	**893,260**	**915,591**
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	6,750	6,919	7,092	7,269	7,451	7,637	7,828	8,024	8,224	8,430
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	6,750	6,919	7,092	7,269	7,451	7,637	7,828	8,024	8,224	8,430
GROSS INCOME	**739,890**	**758,387**	777,347	**796,781**	**816,700**	837,118	**858,046**	**879,497**	**901,484**	**924,021**
Vacancy Rate :Market	5.00%	5.00%	5.00%	6.00%	5.00%	5.00%	6 . W	5.00%	5.00%	5.00%
Vacancy Rate :Affordable	5.00%	5.00%	5.m	5.00%	5.00%	5.00%	6.00%	5 . m	5.00%	6.00%
Less: Vacancy Loss	36.995	37.919	38.867	39.839	40.835	41.856	42.902	43.975	45.074	46.201
EFFECTIVE GROSS INCOME	**702,896**	720,468	738,480	756,942	775,865	795,262	815,143	**835,522**	856,410	877,820
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%
Expenses	223,395	232,331	241,624	251,289	261,341	271,794	282,666	293,973	305.731	317,961
Replacement Reserve	15,000	15,000	15,000	15,000	15,000	15,750	15,750	15.760	15,750	15,760
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**238,395**	247,331	256,624	266,289	276,341	**287,544**	298,416	309,723	321,481	333,711
NET OPERATING INCOME	464,501	473,137	481,856	490,653	499,525	507,718	516,727	**525,799**	534,928	544,109
DEBT SERVICE										
First Mortgage	· 429,164	429,164	429,164	429,164	429.164	429.164	429.164	429,164	429,164	429.164
CHFA Service Fee	8.351	8.351	8,351	8,351	8,351	8.351	8,351	8,351	8,351	8,351
other Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	**26,986**	**35,622**	**44,341**	**53,138**	62.010	**70,203**	**79,212**	**88,284**	97,413	**106,594**
DEBT **COVERAGE** RATIO	**1.08**	1.10	**1.12**	1.14	1.16	1.18	1.20	1.23	1.25	1.27

[redacted]

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	2.50%	2.50%	2 . m	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rente	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rente	938,481	961,943	985,992	1,010,642	1,035,908	1,061,805	1,088,350	1,115,559	1,143,448	1,172,034
TOTAL RENTAL INCOME	938,481	961,943	985,992	1,010,642	1,035,908	1,061,805	1,088,350	1,115,559	1,143,448	1,172,034
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	8,641	8,857	9.078	9,305	9,538	9,776	10,020	10,271	10,528	10.791
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	8,641	8,857	9,078	9,305	9,538	9,776	10,020	10,271	10,528	10,791
GROSS INCOME	947,122	970,800	995,070	1,019,947	1,045,445	1,071,581	1,098,371	1,125,830	1,153,976	1,182,825
Vacancy Rate : Market	5.00%	5 . m	5.00%	5.00%	5.00%	5.00%	5 . m	5.00%	5.00%	5 . m
Vacancy Rate : Affordable	5.00%	5 . m	5.00%	5.00%	5.00%	5.00%	5 . m	5 . m	5.00%	5.00%
Less: Vacancy Loss	47,356	48,540	49.753	50,997	52.272	53,579	54.919	56.292	57.699	59.141
EFFECTIVE GROSS INCOME	899,766	922,260	945,316	968,949	993,173	1,018,002	1,043,452	1,069,539	1,096,277	1,123,684
OPERATING EXPENSES										
Annual Expense Increase	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4 . m	4 . m	4.00%
Expenses	330,679	343,906	357,663	371,969	386,848	402.322	418,415	435,151	452.557	470,660
Replacement Reserve	16,538	16,538	16,538	16.538	16,538	17,364	17,364	17,364	17,364	17,364
Annual Tax Increase	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	347,217	360,444	374,200	388,507	403,385	419,686	435,779	452,516	469,922	488,024
NET OPERATING INCOME	552,549	561,816	571.116	580,443	589,788	598,316	607,673	617,023	626,355	635,660
DEBT SERVICE										
First Mortgage	429,164	429,164	429,164	429,164	429,164	429,164	429.164	429.164	429,164	429,164
CHFA Service Fee	8,351	8,351	8,351	8.351	8,351	8,351	8.351	8,351	8,351	8.351
Other Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	115,034	124,301	133,601	142,928	152,273	160,801	170,158	179,508	188,840	198,145
DEBT COVERAGE RATIO	1.29	1.31	1.33	1.35	1.37	1.39	1.42	1.44	1.46	1.48

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25					
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
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	1,201,335	1,231,369	1,262,153	1,293,707	1,326,049	1,359,201	1,393,181	1,428,010	1,463,710	1,500,303
TOTAL RENTAL INCOME	**1,201,335**	**1,231,369**	**1,262,153**	**1,293,707**	**1,326,049**	**1,359,201**	**1,393,181**	**1,428,010**	**1,463,710**	**1,500,303**
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2 . m	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	11,061	11,337	11,621	11,911	12,209	12,514	12,827	13,148	13,476	13,813
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**11,061**	**11,337**	11.611	**11,911**	12,209	12,814	**12,827**	**13,148**	**13,476**	13.813
GROSS INCOME	**1,212,396**	**1,242,706**	1,273,773	**1,305,618**	**1,338,258**	**1,371,715**	**1,406,008**	**1,441,158**	**1,477,187**	1.814.118
Vacancy Rate : Market	5.00%	5.00%	5.00%	5.00%	5 . m	5 . m	5.00%	5.00%	5.00%	5 . m
Vacancy Rate : Affordable	6 . m	5.00%	5 . m	5.00%	5 . m	5 . m	5 . m	5.00%	5.00%	5.00%
Less: Vacancy Loss	60,620	62,135	63,689	65,281	66,913	68,586	70,300	72,058	73,859	75,706
EFFECTIVE GROSS INCOME	**1,151,776**	**1,180,571**	**1,210,085**	**1,240,337**	**1,271,345**	**1,303,129**	**1,335,707**	**1,369,100**	**1,403,327**	**1,438,411**
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%	4 . m
Expenses	489,486	509,065	529.428	550,605	572,629	595,535	619,356	644,130	669,895	696,691
Replacement **Reserve**	18,233	18,233	18,233	18,233	18,233	19,144	19,144	19,144	19,144	19,144
Annual Tax Increase	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	507,719	527,298	547,661	568,838	590,862	614,679	638,500	663,274	689,040	715,839
NET OPERATING INCOME	644,058	653,273	662,424	671,499	680,483	688,450	697,207	705,826	714,288	722,575
DEBT SERVICE										
First **Mortgage**	429,164	429,164	429,164	429,164	429.164	429,164	429,164	429.164	429,164	429.164
CHFA Service Fee	8,351	8,351	. 8.351	8,351	8,351	8,351	8,351	8,351	8,351	8,351
Other Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	**206,543**	**215,758**	**224,909**	**233,984**	**242,968**	**250,935**	**259,692**	**268,311**	**276,773**	**285,060**
DEBT COVERAGE RATIO	**1.50**	1.61	**1.54**	**1.56**	**1.59**	**1.60**	1.62	**1.64**	**1.66**	**1.68**

Cash Flow

RENTAL INCOME	Year 31	Year 32	Year33	Year34	Year35
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	a 50%
Market Rents	0	0	0	0	0
***Affordable** Rent Increase*	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Renb	1,537,811	1,576,256	1,615,662	1,656,054	1,697,455
TOTAL RENTAL INCOME	1,537,811	1,576,256	1,615,662	1,656,054	1,697,455
OTHER INCOME					
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	14,169	14,513	14.875	15,247	15,628
Other Income	0	0	0	0	0
TOTAL OTHER INCOME	14,159	14,519	14,875	15,247	15,628
GROSS INCOME	1,551,969	1,590,769	1,630,538	1,671,301	1,713,084
Vacancy Rate :Market	5.00%	5.00%	5.00%	5m	5.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	77,698	79,538	81,527	83,565	85,654
EFFECTIVE GROSS INCOME	1,474,971	1,511,230	1,549,011	1,587,736	1,627,430
OPERATING EXPENSES					
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	724,559	753.541	783,683	815.030	847,631
Replacement Reserve	19,144	19,144	19,144	19.144	19,144
Annual ***Tax Increase***	2.10%	2.10%	2.10%	2.10%	2.10%
Taxes and **Assessments**	0	0	0	0	0
TOTAL EXPENSES	743,703	772,685	802,827	834,174	866,776
NET OPERATING INCOME	730,668	738,545	746,184	753,562	760,654
DEBT SERVICE					
First Mortgage	. 429,164	429,164	429,164	429,164	429.164
CHFA Service Fee	8.361	8,351	8,351	8,351	8,351
Other Loan	0	0	0	0	0
CASH FLOW after debt service	293,153	301,030	308,669	316,047	323,139
DEBT **COVERAGE RATIO**	1.70	1.72	1.74	1.76	1.77

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Casa Ramon - Regional

864

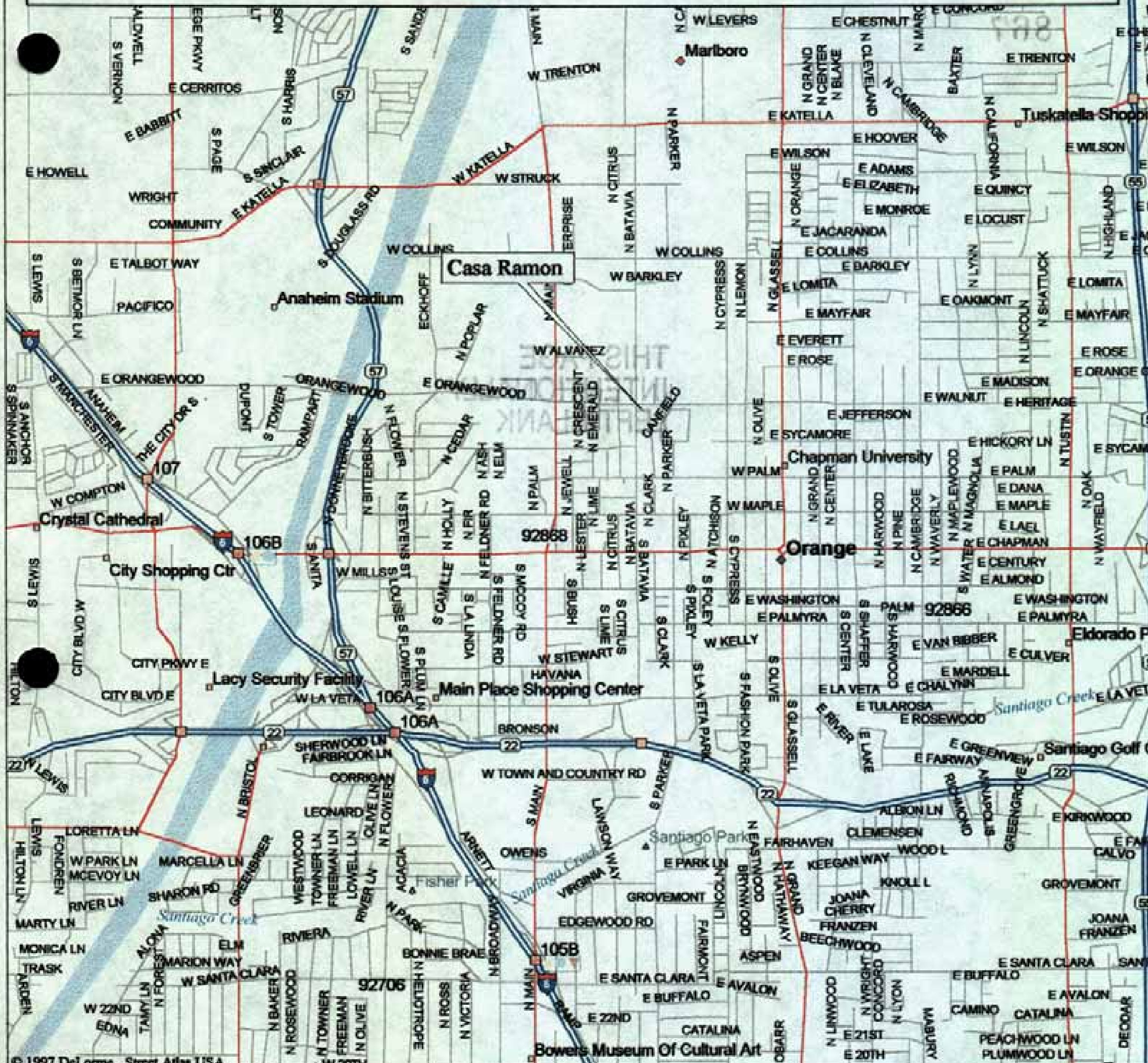
© 1997 DeLorme. Street Atlas USA

Mag 8.00
Wed Jun 23 13:39 1999
Scale 1:2,000,000 (at center)
20 Miles
50 KM

Major Road
Major Highway
Interstate/Limited Access
Toll Highway
Point of Interest
Large City
Park/Reservation
Mega City
City
Small Town
County Boundary
National Boundary
Population Center
Land
Water
River/Canal

Casa Ramon - Local

866



Mag 14.00
Wed Jun 23 13:29 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
Park/Reservation
Exit/Gas
Exit/Lodging
Exit/Food
Locale
Cemetery
Water
Intermittent River

RESOLUTION 99-26

RESOLUTION AUTHORIZING A
HOUSING PRESERVATION TRANSACTION

WHEREAS, the California Housing Finance Agency (the "Agency") staff has received a proposal for the Agency to participate in a HUD 236 Housing Preservation transaction involving the Casa Ramon Apartments (the "Development"); and

WHEREAS, the proposed transaction has been reviewed by Agency staff which has prepared its report dated June 22, 1999 (the "Staff Report"), recommending Board of Directors (the "Board") approval subject to certain recommended terms and conditions; and

WHEREAS, based upon the recommendation of staff, and after due diligence by the Board, the Board has determined that a final commitment to participate in the transaction be made for such Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS
98-028-S	Casa Ramon Apartments Orange/Orange	75

2. All material modifications to this commitment, including changes 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, the Deputy Director or Director of Programs of

the Agency, change the legal, financial or public purpose *aspects* of this commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 99-26 adopted at a duly constituted meeting of the Board of the Agency held on July 8, 1999, at Sacramento, California.

ATTEST:_______________
Secretary