CHFA BOARD OF DIRECTORS

Thursday, January 20, 2000

Clarion Hotel
San Francisco International Airport
Millbrae, California
(650) 692-6363

9:30 a.m.

1. Roll Call ....

2. Approval of the minutes of the November 4, 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
99-030-S	Santa Ana Towers Apartments	Santa Anal Orange	200

Resolution 00-01 838

Number	Development	Locality	units
99-031-N	Longfellow Apartments	Chico/ Butte	24

Resolution 00-02.. .... .862

5. Discussion, recommendation and possible action relative to a commitment modification on the following project: (Dick Schermerhorn/Linn Warren)

Number	Development	Locality	units
98422-S	Detroit Street Apartments	West Hollywood/ Los Angeles	10

Resolution 00-03.. 888

6. Discussion, recommendation and possible action relative to the 1999/2000 Business Plan Modification.
Resolution 00-04 (Dick Schermerhorn).. .912

7. Discussion of the 1999/2000 Business Plan Update:

    a) Business Plan Update Presentation
    (John Schienle/Dick Schermerhorn)

    b) Board Member Comments

8. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family housing bonds, and related financial agreements.
Resolution 00-05 (Ken Carlson)... .918

9. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily housing bonds, and related financial agreements.
Resolution 00-06 (Ken Carlson)... .932

10. Other Board matters.

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

****NOTE: Next CHFA Board of Directors Meeting will be March 9, 2000, at the Sacramento Host Hotel, Sacramento International Airport, Sacramento, California.**

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

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

Thursday, November 4, 1999
9:30 a.m. to 12:44 p.m.

"Minutes approved by the Board of Directors at its meeting held: Jan. 20, 2000

Attest: S. Gary Hall "
Secretary

Reported and Transcribed by: Ramona Cota

THIS PAGE
INTENTIONALLY
LEFT BLANK

APPEARANCES

Directors Present:

CLARK WALLACE, Chairman

BETHANY ASELTINE

JULIE BORNSTEIN

ANGELA L. EASTON

CARRIE A. HAWKINS

KEN S. HOBBS

JUDY NEVIS

THERESA A. PARKER

JEANNE PETERSON

Staff Present:

DAVID N. BEAVER, General Counsel

JOJO OJIMA

For the Staff of the Agency:

KENNETH R. CARLSON, Director of Financing

DIANE RICHARDSON, Director of State Legislation

G. RICHARD SCHEMERHORN, Director of Programs

LINN G. WARREN, Chief, Multifamily Lending

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

WILLIAM M. LEONE, The Trinity Housing Foundation

I N D E X

	Page
Proceedings	4
Roll Call	4
Approval of the minutes of the September 9, 1999 Board of Directors meeting	5
Chairman/Executive Director comments	7
Resolution 99-30	15
Motion	31
Vote	31
Resolution 99-31	32
Motion	39
Vote	39
Resolution 99-32	40
Motion	48
Vote	48
Resolution 99-33	4[illegible]
Motion	62
Vote	63
Resolution 99-34	63
Resolution 99-35	99
Motion	115
Vote	116
Resolution 99-36	116
Motion	121
Vote	122
Resolution 99-37 (Preservation Acquisition Financing)	88
Motion	127
Vote	129
Other Board matters	131
Public testimony	131
Adjournment	133
Certification and Declaration of Transcriber	134

P R O C E E D I N G S

THURSDAY, NOVEMBER 4, 1999 MILLBRAE, CALIFORNIA 9:39 A.M.

CHAIRMAN WALLACE: In any case, I'll call the meeting to order. Secretary, .call the roll.

ROLL CALL

MS. OJIMA: Thank you. Ms. Peterson for Mr. Angelides?

MS. PETERSON: Here.

MS. OJIMA: Ms. Bornstein for Ms. Contreras-Sweet

(No response).

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Easton?

MS. EASTON: Here.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Here.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

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: There was a lot of silence on that roll call, I'm glad we do. I understand Ms. Bornstein is on the way.

APPROVAL OF THE MINUTES OF THE SEPTEMBER 9, 1999 MEETING

Okay, Item 2 on our agenda is approval of the minutes of the September 9th meeting. You all read them, I know that, which you always do. Who is going to be bold enough to make a motion or suggest any corrections or additions, deletions?

MS. HAWKINS: I will.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Yes.

MS. OJIMA: Ms. Easton?

MS. EASTON: Yes.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Yes.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: I'll abstain, I was absent for that meeting.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Another loss, a weight loss.

MR. HOBBS: Yes.

CHAIRMAN WALLACE: You're working on your figure.

MR. HOBBS: Yes, sir. Whatever you say, sir.

MR. BEAVER: Mr. Chairman, I'd just like to remind you we will need six aye votes to carry.

MR. HOBBS: Mr. Chairman, I have read all of the minutes, I'm prepared to vote, however, I was not in attendance.

MS. OJIMA: That would be great, thank you.

CHAIRMAN WALLACE: Now wait a minute.

MR. HOBBS: So I'll cast an aye vote.

MS. OJIMA: That will make the six.

MR. HOBBS: As long as our parliamentarian says that's okay.

MR. BEAVER: Yes, I think it's proper for you to vote.

MR. HOBBS: I have read the minutes of the last two meetings that I had missed and --

CHAIRMAN WALLACE: Did *you* agree with everything I said?

MR. HOBBS: No, sir, I do not.

CHAIRMAN WALLACE: Oh.

MR. HOBBS: But that's normal, Mr. Chairman.

CHAIRMAN WALLACE: You're still going to vote yes?

MR. HOBBS: I'll still vote *yes* if the Board agreed.

MS. NEVIS: He believes you said that.

CHAIRMAN WALLACE: You respect my right to disagree, or I do -- Ken, you vote, yes.

MR. HOBBS: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Yes.

MS. OJIMA: The minutes have been approved, thank you.

CHAIRMAN WALLACE: The minutes have been approved.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Item 3, Chairman/Executive Director Comments. I know Terri has a few. Let me just say we've got a new meeting date schedule, which I believe was passed out to all of you Board Members. Is that correct, Terri?

MS. PARKER: That's correct.

CHAIRMAN WALLACE: Or others. There are two here, the first and the last, and two in Sacramento and two in the Burbank area. Wherein I'm voting for the Burbank Hilton because it's within walking distance but Terri hasn't agreed to that yet.

MS. PARKER: Mr. Chairman, we're working on a hotel and we will give plenty of notice to work out a convenient place for all of your schedules.

CHAIRMAN WALLACE: So you do have next year's schedule. Let me note that I'm going to try and move this meeting along, even though it's a heavy agenda and some newly discovered directions. When we get to Item 6 you're going to find on the agenda that staff is recommending some new niches which we may -- the background of which they'll give us. Then Items 7 and 8 will be living, potential cases that could send us in that direction.

It is a long agenda but I am interested in keeping it going, so bear that in mind when you are directing your discussion. And with that, Dave Beaver has sent us all an ethics course. Which I think we have to complete by the end of the year, Dave?

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

CHAIRMAN WALLACE: Any edification we need on that?

MR. BEAVER: Basically, you have a choice of either taking the training by video that we sent or by getting on the Internet and taking an interactive training. And we also provided the Internet address so it's your choice. Personally, I took the Internet training and it seemed to go a lot faster than the video, which I also reviewed.

CHAIRMAN WALLACE: Okay. *Any* questions? Moving on. Terri, you had a couple of comments.

MS. PARKER: A couple of things, Mr. Chairman. Just one last comment on the calendar. One of the things that JoJo and I will be working on, particularly given that many of you are putting your schedules together for six months out, we will try to not wait until the end of next year to give you dates for 2001, at least for the first couple of months. So hopefully JoJo and I will start giving you mid-2000 a schedule of dates for the 2001 first half of the year.

The second thing: I just want to give you a status report on what's happening in Washington with the bond cap and tax credit bills. As we discussed last time, the bills that had California's co-sponsorship were part of the big tax bill that was passed but vetoed by the President. But because of the strong bipartisan support that we have had on this issue it is the two bills in Congress that have the most co-sponsorship nationwide.

Congress has been working on a minimum wage bill that actually was supposed to be taken up in the House today but has been put over until next week. It has a number of provisions, including the minimum wage increase, and a number of provisions on the tax side, some of which were in the vetoed tax bill. And I'm pleased to say that some of those few tax components that are in there include the bond cap and the tax credit increases that were in the vetoed tax bill.

We are waiting to see how that bill is going to go. As I said, it was intended to be taken up today but apparently they delayed it because they're now not sure whether they have a sufficient number of votes. It is likely to come up, if it's going to come up, next week. If it's not taken up next week it's because there won't be sufficient votes. The President is adamant about leaving town the 10th of November. He's going on a large trip and a number of Congressional members are going with him. So if it doesn't happen there's essentially no activity that's going to happen the rest of the year. So we will continue to keep you apprised if something positive happens in that regard.

The next item I'll let you all be aware of: I've left a letter from me to all of you at your seats letting you know about the national housing awards. The National Council of State Housing Agencies had their annual meeting in Chicago last week and it is a time where they essentially recognize in 13 categories states' outstanding programs. We have been fortunate in the last couple of years to have had recognition and we're very fortunate this year to once again be awarded winners in 2 of the 13 categories that were recognized by the NCHSA agency.

The CHFA organization submitted 8 proposals in the 13 categories; we won 2 of those categories. One of them was innovative management, financial and operations for managing the private activity bond resources that our star, cracker-jack Finance Director Ken Carlson is responsible for. The other area we won in was in empowering new single-family home buyers, and the program that won was our affordable housing partnership program that we have with over 100 local agencies that Mr. Williams, Ken Williams, takes care of. So the two Kens were real stars. I think the staff were delighted we had two of our Board Members present so it was a celebration for all of us.

(Ms. Aseltine and Ms. Bornstein entered the meeting room.)

The other thing that I wanted to just point out: The agenda under Reports has two reports, financial reports from Ken Carlson; it has one Legislative report from Di that's an update on what happened in the legislative session. I would like to point out that there is an error in the Leg. report on page 1007. Our cracker-jack colleague here from the Treasurer's Office pointed out that the bill that was signed by the Governor to extend the State's tax credit program is at the $35 million level, not at the $15 million level.

And last but not least, Mr. Chairman: At the last Board meeting one of our Board Directors, Mr. Klein, requested the staff to come back at the November meeting with some financing options that could be discussed by the Agency in the context of preservation. Since Mr. Klein was not able to join us today I've talked with him about not essentially bringing that discussion up. And what we have proposed is essentially holding over that discussion until the January meeting so it is part of the broader business planning discussion that we will be having as part of doing our planning for the Business Plan's presentation to the Board in May. So with that, Mr. Chairman, that completes my report.

CHAIRMAN WALLACE: Thank you. Any questions of Terri on her report or myself?

The Board welcomes Julie Bornstein from BT&H. And is it Bethany Aseltine?

MS. ASELTINE: Um-hmm.

CHAIRMAN WALLACE: Tine?

MS. ASELTINE: Tine, yes.

CHAIRMAN WALLACE: From OPR.

MS. ASELTINE: Yes.

CHAIRMAN WALLACE: Welcome.

MR. HOBBS: Mr. Chairman, I think it's very appropriate to congratulate the Chair and our Executive Director as well as our Vice-Chair, and of course all staff, for the continuing dominance that California has in the housing market.

CHAIRMAN WALLACE: Thank you, Ken. They do good. I haven't been there for a year or so but -- Did you go, Carrie?

MS. HAWKINS: Yes, I did.

CHAIRMAN WALLACE: You went.

MS. HAWKINS: And I can't tell you how honored I was to be able to represent the Board and to watch the staff perform and the respect that the other leaders in affordable housing have for our staff. So we are definitely leaders and I appreciate very much the opportunity to represent the Chair there as the Vice-Chair. And congratulations to the staff. I have personally worked as a lender with the staff and it was very exciting to see two of the people who work behind the scenes, a lot of the time very quietly, Ken Williams and Ken Carlson, be recognized there. They were so humble about the whole thing and said it takes the whole staff. We know that, but it was very nice to have you singled out there and get that recognition.

MS. PETERSON: Mr. Chairman.

CHAIRMAN WALLACE: Again, congratulations, Ken and Ken.

MS. PETERSON: I would just like to add that I was also privileged to be there and it was really -- For people who haven't been at these things there is a tremendous sense of suspense and excitement during the luncheon and as the awards are announced. As a new representative sitting on this Board I can say that it really was exciting and it's a tremendous honor that we may not recognize here. But to be recognized as the best in your fields by your peers is probably the best honor that you can have.

MS. PARKER: Mr. Chairman, one other point about that. They intentionally give these awards to programs that they essentially recognize to be replicable by other states and so that's really what they're looking for. They're looking for states to provide leadership that other states can essentially follow. And the categories that we won in, probably were the categories that had the most competition. One of them had 24 entries and the other one had 20 entries. So it was really -- That made it really significant. It's one thing when you win in a category there's two or three entries, but there was incredible competition. And Jeanne comes from a former M-state and we always kid about how the Y-states walk away with all the awards.

MS. PETERSON: It also won two of the 13 awards so I can say --

MS. PARKER: The only other state to do so.

MS. PETERSON: -- I was involved in 4 of the 13 awards.

CHAIRMAN WALLACE: They were programs you set up, Jeanne.

MR. HOBBS: Absolutely.

MS. PETERSON: Undoubtedly.

CHAIRMAN WALLACE: Do you get M&Ms for that?

MS. PETERSON: No, I wouldn't take credit for that.

CHAIRMAN WALLACE: Well, I'm sorry, I couldn't make it, thanks for going. I was in Eastern Europe on a trade mission but I'm happy we could have the Board represented as well. Congratulations again, Ken and Ken.

RESOLUTION 99-30

Moving on, Item 4 of the agenda. Again, we have a heavy agenda but there's a number of final commitments on page 1 of the agenda so let's move right to them. Dick.

MR. SCHEMERHORN: Yes, thank you, Mr. Chairman. For the Board what I'd like to kind of set up for you is how we've got this agenda structured and how we would like to proceed. It really comes in two parts. The first five projects are projects which we would be financing under our existing loan underwriting and financing program criteria, the last two projects are projects that are acquisition financing transactions.

When we finish with the first five projects I would like to make a presentation to you about the credit issues and the program proposal that we have about acquisition financing. I would suggest that the Board not make a decision about the program until we go through the two projects so that you can see how this actually translates into real deals. I would suggest that the Board then have the option of either accepting or rejecting the projects on their merit and the program, pursuing the program forward separately on its merit, or approve them all.

In starting the first five that we want to do, there is a concept involved in most of these transactions that we would like to give you an overview presentation about and that has to do with what we've referred to as the Transition Plan in the transactions and the reason why we have some of our HAT monies set aside for supporting a transition plan. A number of them have that, and for that, Linn Warren.

(Video presentation of project begins.)

MR. WARREN: Thank you, Mr. Chairman. On the handouts that you have you'll see a graph -- And I'll just show this, we'll go through the interactive part of this in a minute. As Dick indicated, on all the preservation deals that we have in front of us today there is one common thread that has concerned the Agency and it has to do with the transition of the projects as they leave Section 8. And one of the things we have incorporated into these deals is what does happen if the Section 8 stops and for some reason cannot be continued either through vouchers or renewals. 'Now, there's two issues here, really. The first has to do with credit underwriting for the Agency. Is there sufficient project cash to make the project work during this transition period? And two, we are not interested, clearly, in having a situation where tenants could be displaced.

So let me start off with the first year here and explain the methodology that we decided to employ. Now, in a typical Section 8 deal, as you can see on the graph here, we have approximately $700,000 of the project cash as being contributed by a Section 8 HUD subsidy. The tenant component of this is approximately $300,000. Now, under the projects that we're doing what we intend to do is, before the Section 8 terminates, to sweep any excess project cash that might be available and fund the transition reserve. If this money is not sufficient the Agency is going to commit its HAT funds in a standby operating account. But let me show you how this would work.

So assuming in Year 1 we've swept some cash and it is in this reserve waiting to be utilized. In our second year what happens is the Section 8 may stop. And under this worst-case scenario there is no renewal, there is no voucher. Now it's doubtful, particularly in senior projects, but we're trying to anticipate the worst-case scenario. Under this situation we're utilizing approximately $600,000 of this pocketed money for the benefit of the transition. Now, you can see that the green portion has increased from $300,000 to $400,000. What this means is, as the Section 8 stops there is tenant turnover and the new tenants coming in are able to pay a larger portion of the project cash.

As we go into Year 3 you will note the turnover is continuing at a higher rate and we're using less of the money that we set aside earlier to support the project cash. As we go into Year 4 we have a change. Now we're up to $600,000 of tenant contribution, but the kind of aquamarine bar there is the last of the money that we set aside from the earlier sweeping of the cash before the Section 8 stops. But we still have a $250,000 shortfall so the red bar indicates a commitment by the Agency of HAT funds for a standby operating reserve to help supplement project cash flow.

As we go to Year 5, as you can see, all of the money that we set aside is now gone and the contribution on behalf of CHFA is now increased to $300,000. But at the same time you can see the progression as the units have turned over this five year period. More and more tenant contribution is being made to support project cash flow. And in the final year what we have is basically the stabilized rents. These would be our 50 and 60 percent rents at a level that can be maintained over a 30-year period.

Now, transition periods can vary in length. This is a four-year or five-year transition period which could be typical for a family project. Senior projects could be different. They could be longer because of limited turnover from the tenants, but we believe this is more art than science at this juncture. So as you look through the cash flow proposals in front of you you'll see various levels of these transition reserves. And really they are our estimates of what we think the transition periods would require. In the event the monies that we set aside are insufficient then we would go back and probably supplement that with additional Agency cash. So with that I think we can go back into the projects unless there are any questions and we can pick those up as we discuss the projects.

(Video presentation of project ends.)

MR. SCHERMERHORN: Any questions about the transition concept here? Okay. And a number of these projects have that issue embedded in them.

Our first request this morning is a final commitment request for a first mortgage in the amount of $4,610,000 at an interest rate of 7.5 percent, 30 years fully amortized, for a 126-unit family acquisition rehab project in

Oakland. The reason this is taxable, this is a project with 90 percent tax credits. They have come to the Agency for a long-term fixed rate mortgage for this transaction.

The Agency is also needed because it's a project that has a HUD Section 236 loan with interest reduction payments and HUD requires a public agency to be involved in administering the continuation of any IRP contract on a project like that. So we can serve two functions here and that's what we're proposing to do. The first mortgage, as I've identified it, and also taking on an IRP mortgage amount of $1,405,540 at an interest rate of seven and-a-quarter percent. It's an 11-year term, we're going to capitalize the current IRP contract at this point in time and then administer it with HUD's regulatory agreement for the remaining life of that IRP contract. For a look at the project, Mr. Warren.

(Video presentation of project begins.)

MR. WARREN: MORH is located in West Oakland. If you're familiar with Oakland it's basically west of freeway 980 out of the downtown area. The project is a Section 8 project that's approximately 30 years old and it encompasses approximately four city blocks in the west Oakland area. It's a two-story building, basically low-rise, typical kind of a plain, architectural design which will be enhanced during the rehab. The towers you see in the rear are the

Apollo Towers which were originally part of the complex. Our loan does not include those, although they are part of the larger campus in the area.

The rehab for the project is fairly substantial. Approximately $8 million in rehab costs are being committed, in the neighborhood of $65,000 per unit. The project is in need of being recapitalized. It is somewhat tired, as you can see, and will require some additional work. An interesting thing about what's happening in west Oakland is there is a large amount of revitalization that is going on. Here is a look at the Apollo Towers in the background.

The project itself is going to have -- basically new roofs will be built up. There is a mold problem which I'll get into in just a minute. There will be substantial rehab. All of the siding will be replaced and new roofs will be put on. A new painting scheme and architectural details will also be included and additional landscaping. There are some large open areas because of the large site so there is a good opportunity to do that. As I said, there is a large amount of revitalization going on in west Oakland.

This is Baypoint, which is a home ownership project that is being worked on which is about two blocks away from the project. This is not the best shot but in this area right here is Acorn, our project is right here. For those of you that are familiar with Acorn, this was a public housing project approximately 35 years ago that did not work terribly well. And BRIDGE Housing, much to their credit, is in the process of revitalizing Acorn. We're actually the beneficiaries of that because our project will be across the street from that. That is nearing completion and they have done a very good job. There are other revitalization projects occurring throughout this part of west Oakland and the MORH project will fit in nicely into that area.

The rehab will also continue to the units. We will have new cabinets, new appliances, new flooring, and in the bathrooms, new fixtures as well. So there is a very substantial rehab throughout all of the project.

I mentioned the mold problem. One of the problems with the flat roofs of MORH, and the way it was originally designed, is there was very poor ventilation so two buildings have this very severe mold problem which clearly is a health problem as well. This will be mitigated by the roofs being built up, ventilation fans being installed and all of this area being ripped out and basically replaced with new ceilings. So this will solve an ongoing problem in the project.

I'm going to give you an example of how the rents stack up in the MORH project. The first two bars are the 50 and SO percent rents on the project and our long term debt is essentially -- I'm sorry, 45 and 50 percent rents -- have been underwritten to those levels. The existing Section 8 is on annual renewals and the sponsors will be asking for renewals of that as long as HUD is willing to grant them.

What is happening in west Oakland from a market standpoint, as you can see with the yellow bars, is there are upward rent pressures. Over the last few years, and longer than that, rents have really declined or gone sideways in the greater Oakland area. As jobs are increasing, and with the expensive housing in San Francisco, there has been a larger migration into the Oakland area for housing. And because there is a shortage of quality housing in this particular area you are beginning to see the upward rent pressures, as indicated by the yellow bar. So as we position these affordable rents, compared to the Section 8 rents, but more importantly to the long-term market rents, we believe they are in very good shape. And this is also a component of the low rents that are a component of the nine percent projects.

So with this rehab I think we're in a situation where the rent structure is such that it can be maintained on a long term basis. And because of the large amount of equity the rehabilitation will be substantial and fit in with the rest of the west Oakland area. Dick.

(Video presentation of project ends.)

MR. SCHERMERHORN: The environmental report on this project had no particular concerns noted. There is an asbestos and lead-based paint analysis that is not quite completed yet and any work that would come from that we would mandate it be done according to an acceptable maintenance plan on the project. We have an Article 34 opinion for the project.

The borrower in this case would be a to-be-formed limited partnership with Citizens Housing Corporation which is a nonprofit, in which they would be the managing general partner. A.F. Evans Development would be the developer. A.F. Evans would not be part of the final ownership structure for this transaction, although Evans Property Management will be handling the management on this particular project. We're familiar with both the borrower and the management entity, very satisfactory on projects that they already have in our portfolio.

This is a project with a lot of history. It goes all the way back to my early HUD days when this project came on line. It has had a lot of problems over the years, as this whole market area has had over the years. And it has to be somewhat a plus for Oakland to start seeing this neighborhood area starting to improve and the picture beginning to look better than it has for some time.

Yes, when you look at the Sources and Uses on the project it's like many projects of this ilk throughout the state. Somebody makes a conscious decision that we have an affordable housing resource here that we're willing to put substantial monies into, although the market value for this doesn't necessarily support it. In this case Tax Credit has made that decision, awarding to the project and we have -- There is no locality involvement in this particular project.

There is some deferred developer equity that is contemplated to make the transaction come together. Our first mortgage loan in here meets our normal criteria and we understand the public purpose intent of keeping this affordable resource in place in that particular market area. We're recommending approval and be glad to answer any questions.

CHAIRMAN WALLACE: Questions from the Board? Jeanne.

MS. PETERSON: I have one or two questions, and this is my own ignorance. This is a final commitment. Did this come to the Board for an initial commitment?

MR. SCHERMERHORN: No. Normally what we do is in the interest of processing we only bring, normally, final commitments to the Board. The exception is where we have transactions that are significantly unusual in their characteristics. The Marin project, which you wouldn't be familiar with, some years ago was one. It was a unique type because it was almost a whole new city being built of which the projects we were financing were part of. And we have one on the agenda because of the size of the transaction. We want to talk to the Board about it before we proceed.

But normally we process through, do an initial commitment with the Loan Committee at the senior staff level to determine whether the proposal meets the general parameters of our underwriting programs before we move forward.

MS. PARKER: And just to add to that, Dick. The general parameters in the underwriting are essentially, from a policy standpoint, the Board has decided those.

MR. SCHERMERHORN: Yes.

MS. PARKER: We then operate, when we essentially are outside of that, that is when we come on initials.

MR. SCHERMERHORN: That's when we come to the Board.

MS. PARKER: Otherwise we come as finals.

MS. PETERSON: Thank you. The reason that I asked was, as many people know, both this project and the next project were awarded tax credits in a very competitive situation at the end of September and at that time it was pretty clear that it had not come before this Board.

The only other question that I had, had to do with the standby operating account. And I notice from reading the differing proposals that are in front of the Board this morning that this particular account is to be funded from residual receipts, whereas some of the other accounts have varying methodologies for funding, and I'm wondering if either of you can comment on that. And if it needs to, if it's going to be secured by a letter of credit or by anything other than the residual receipts. Because, for example, I see that the next one is going to have, presumably, some Agency involvement.

MR. SCHERMERHORN: We do them different ways.

MR. WARREN: It's also a function of available project cash. I need to clarify something. The residual receipts issue has to do with the repayment of the standby account. If for some reason we have to advance Agency funds that does become a loan, and the repayment of that would be from the residual receipts after the transition period has stabilized. But in the case of MORH, and later on in Oak, you will see there was available cash in the MORH project because of the debt coverage ratios and such that, that cash could be swept. We look to the project first.

In other projects where cash may not be available we would then use the Agency funds, or later on in one of the projects we're looking at a letter of credit. So it does depend on a case-by-case basis how the reserves are funded. But our first choice in all of them is to look for project cash to fund the reserve up front.

CHAIRMAN WALLACE: And you had pretty significant

MR. WARREN: Yes.

CHAIRMAN WALLACE: If you look on 801, Jeanne.

MR. WARREN: Yes.

MS. PETERSON: Right.

MR. WARREN: If the cash is available, Mr. Chairman, we would prefer to go there first instead of Agency funds.

CHAIRMAN WALLACE: Any other questions from the Board?

MR. HOBBS: Mr. Chairman.

CHAIRMAN WALLACE: Ken.

MR. HOBBS: A quick question. Dick, you went through CHFA's responsibility and the IRP purchase fairly quickly. When we purchase the HUD loan itself what additional responsibilities are we taking on?

MR. SCHERMERHORN: Well, we just take on the normal IRP responsibility, which is -- You know how that works. Basically, you have got a regular monthly payment of subsidy that's coming so --

MR. HOBBS: I'm talking now, non-financial.

MR. SMERMERHORN: Oh, non-financial

MR. HOBBS: I'm talking, specifically, administratively.

MR. SMERMERHORN: There is an outstanding affordability expectation and the typical HUD quality standards of the housing to be maintained. Nothing new and different for us to do.

MR. HOBBS: But what we're already doing.

MR. SCHERMERHORN: Our standards are a tad more stringent than what the 236 are.

MR. HOBBS: Thank you, Mr. Chairman.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Carrie.

MS. HAWKINS: I have a question. On the residual receipts. What is the history on those as far as the project in the past? I'm not exactly sure how do we -- How do we come up with that $475,000 in residual receipts? Is it because it's demonstrated that we can count on that?

MR. WARREN: Is your question how we have come up with the $475,000?

MS. HAWKINS: Yes.

MR. WARREN: Or how we sized the reserve?

MS. HAWKINS: Yes.

MR. WARREN: Basically we're looking at a year to a year-and-a-half's worth of debt service as a rule of thumb that we're looking at. And then we take that number and see how much excess cash over a period of time can we basically garner and put into that account. The cash sweep, if you will, commences at the time our loan goes in place. It's not prior to that point in time, it's the time we come in as a lender and require the money.

So the sizing of the transition accounts at this juncture is almost more art than science but we try to give ourselves a year to a year-and-a-half of debt service coverage in the event the transition puts a financial strain on the project.

. CHAIRMAN WALLACE: It really isn't based on what happened in the past so much --

MR. WARREN: No, it's not.

MR. SCHERMERHORN: It's a projection.

MR. WARREN: It's a projection to the future.

CHAIRMAN WALLACE: As part of your underwriting criteria you are using the numbers that they've given us here, and that looks like maybe a couple of --

MR. SCHERMERHORN: No, it goes back to -- Do you remember the transition plan layout? So if you took that chart and you said, okay, five years from now things are going to tank. You move that chart down there and say, on that fifth year we have got so much money built up, or we need so much money built up. And in it we expect X amount of that money to come from cash flow that we gained in the first five years, we still have a shortfall of Y, that's going to be the HUD standby account. That's how we play it out when we get there.

CHAIRMAN WALLACE: Okay, anything else from the Board? Any questions from the audience? Hearing none the Chair will entertain a motion to do something.

MR. HOBBS: Mr. Chairman, I'll move approval on the project.

MS. NEVIS: I second.

CHAIRMAN WALLACE: I like that. Hobbs.

MR. HOBBS: We're soul mates. (Laughter).

CHAIRMAN WALLACE: And Judy, thank you. A motion and a second to move approval. Secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-30 has been approved.

CHAIRMAN WALLACE: Okay, we just approved Resolution 99-30. Let's move on to the next one, Dick, Oak Center.

RESOLUTION 99-31

MR. SCHERMERHORN: Yes, Mr. Chairman. As has been noted this has a similar look to the previous project. This is a final commitment request for a first mortgage in the amount of $2,175,000. It's taxable financing, 30 years fully amortized at 7.5 percent with an IRP mortgage of $603,207 at 7.25 for 11 years taxable with a standby operating commitment of $225,000. As I said, similar kind of issue structure here. And for the project review, Linn.

(Video presentation of project begins.)

MR. WARREN: Oak Center is also in west Oakland, as Dick indicated. It's just about a half-mile to a mile up from the MORH project and the revitalization area but it is a different project. It's smaller, it's 77 units. And what is interesting about this area is it is not surrounded by the revitalization level that we've seen in the prior project but it is close to a residential neighborhood that is actually coming back, which is interesting.

Again, with the same amount of rent pressures that are occurring throughout Oakland, this is more adjacent to a single family area. But that said, with the 77 units, this is a townhouse design and the rehab level for both of the projects is very similar. It will be extensive. New roofs, new siding and a seismic retrofit.

It does front on Market Street which is a major thoroughfare running north/south in Oakland. Across the street is the Marston Campbell Park and Educational Center which is, again, directly across the street. This is an indication of the neighborhood. Again, as I indicated, it's primarily single family. There are some small multifamily projects, rental projects in the area. But again, one of the problems in Oakland right now is a lack of newly constructed rental projects and hopefully with the rehabilitation this will mitigate that to a large degree.

The project has similar problems to what you saw in the prior project. The siding does need to be replaced; there will also be a new roof here. The balconies will be replaced or waterproofed as appropriate. The windows that you see throughout the project here all need to be replaced, there is leakage and sealant problems, which is typical for a 30 year old project. These play areas will be reconfigured and there will be an increase in the landscaping.

There is dry rot throughout the project, this is a good example of it. The Physical Needs Analysis has shown this to be fairly pervasive throughout all the project so when they go in all this siding comes out and basically it's taken down to the framing studs and repaired from there.

You can't really see it here but there is a subterranean parking garage which is directly adjacent to the project. That will require a certain amount of seismic retrofit, which will be a requirement of our work done. This is the garage – a little dark but that's it – right next to the project. The units themselves will also undergo a complete rehabilitation. New cabinets, new appliances, new floorings. The bathrooms also will have new fixtures put in. So a fairly good sized rehabilitation level. I think they're looking at a rehabilitation level of approximately $2.8 million. So again, it's a pretty good size project.

Rents. Similar to what happened on MORH with one exception. You will see here with the red Section 8 – this is also on annual renewal similar to the MORH project. But the Section 8 rents on this project are below the 45 to 50 percent rents on the project. One of the conditions of our commitment, and a request from the borrower, would be that the Section 8 rents be increased to help with the project cash flow for a period of time.

But you can also see that the market is seeing some upward pressure and those are in excess of the 45 and 50 percent rents by approximately 10 percent. So assuming that these requirements are agreed to by HUD, again, this project, like MORH, will fit well into the revitalization of Oakland.

And from a market rate standpoint it should work well.

MR. SCHERMERHORN: This project has the same kind of profile in terms of the environmental determinations. No particular concerns were noted. The asbestos and lead-based paint analysis is being completed and any costs planned there will be incorporated into requirements on the project. We have an Article 34 opinion. The borrower is the same as in the previous transaction as is the management entity and our recommendation is the same. We recommend approval of the project and be glad to answer any questions. .

CHAIRMAN WALLACE: Any questions from the Board? From the audience? The developers? Jeanne.

MS. PETERSON: I'd just like to, I guess it's more in the nature of a comment than a question in both this one and the previous one. In MORH you talk about the current tenancy profile and say that in all but two cases people meet guess I'd like to point out that in both the case of MORH and Oak Center that what has been promised with respect to the tax credit, for the award of the credit, is that actually 95 percent of the tenants will have to be well below 60 percent of area median. So it may be worthwhile when we go --

MR. SCHERMERHORN: That isn't what we represented. We know that the current tenant profile -- If we have left that impression I'd like to correct that. When we did the transition plan the assumption is that the tenant profile we're talking about is the tenant profile that meets the occupancy restrictions that are in our credit presentation. The tenant profile in these projects right now meets the tax credit requirements that are in place because it's Section 8 supported and most of those tenants in there are below the income restrictions that are in place.

What happens in the transition plan is, and that's what we factored in, in looking at these projects we recognize that you've got those particular 45 percent, 50 percent and 60 percent constraints in the tax credit regulatory agreement. Our underwriting assumes that as an achievement at the back end of that transition plan. So what they would be transitioning from is 30 percent of median right now, up to a 45, 50 and 60 percent. In the case of some other project which doesn't have that constraint on it, it would be up to, say the 50, 60 percent if that were the case. So in these projects we have done that evaluation based on your requirements.

MS. PETERSON: I recognize that you must have, based on the budgets for the relocation, for example, and I was really just referring to the language in the reports which says:

"Income information from management shows that in all but two cases residents meet TCAC income guidelines of 60 percent AMI or less. These residents will be offered all benefits due under the relocation act."

And I just, for clarification purposes, for those who may not be familiar with the fact --

MR. SCHERMERHORN: Okay.

MS. PETERSON: -- that you were, actually, underwriting to what the project will require.

MR. SCHERMERHORN: Yes.

MS. PETERSON: And like I say, I'm sure you based the relocation budget, and so on, on that premise. That it might be clarifying.

MR. SCHERMERHORN: Okay.

MS. PETERSON: Thank you.

MR. SCHERMERHORN: Thank you.

MR. HOBBS: Mr. Chairman, a follow-up question.

CHAIRMAN WALLACE: Mr. Hobbs.

MR, HOBBS: There's extensive rehab here. I'm a bit concerned about the projections of tenant displacement during that time period. And I did note the budget. And I'm certain, as usual, you all took a hard look at that, particularly given the 45 and 50 percent median. Generally, could you kind of brief us on --

MR. SCHERMERHORN: You want flavor of what's going

to happen?
MR. HOBBS: Yes, please.
MR. WARREN: Okay.
MR. HOBBS: The short version.
MR. WARREN: The short version, okay.
MR. HOBBS: The Chairman just gave me the eye over here.
CHAIRMAN WALLACE: No, I did not.
MR. SCHERMERHORN: The Chairman's version.
MR. WARREN: If you want the short version you should probably ask Dick.
CHAIRMAN WALLACE: I was about to but I did not do that.
MR. WARREN: The short version is, Mr. Hobbs, it will be a staged rehab. There will be massive rehab with relocation. People will be relocated and moved off-site as appropriate. We have made certain that the sponsors are thoroughly familiar with the Uniform Relocation Act and require they get a consultant. And we put money in the budget to make sure it gets taken care of. So the quick answer is it's foremost in our minds too and we're going to make sure it gets done.
MR. HOBBS: Mr. Chairman, I think this is a wonderful project. There are clearly risks but the Board, a number of years ago, and reaffirmed last year, our intent to

get in this business. Again I'm prepared to move approval on this project.

CHAIRMAN WALLACE: Well go ahead and move it, Ken, and then I'll see if there's questions.

MR. HOBBS: So moved.

CHAIRMAN WALLACE: Is there a second?

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: Hobbs and Hawkins. *Any* further questions from the Board on the motion or the project in general? Again, developer, audience, Board? Everybody's happy. Hearing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-31 has been approved.

CHAIRMAN WALLACE: 99-31 is approved. Okay, Dick.
MR. SCHERMERHORN: Yes, sir.

RESOLUTION 99-32

CHAIRMAN WALLACE: Playa Del Alameda.
MR. SCHERMERHORN: If this project bears any striking resemblance to an example that I might have used in an earlier Board Meeting citing a certain situation that might crop up around saving Section 8 projects it's purely coincidental, he says with tongue in cheek.

This is a final commitment request for two loans totalling $3,675,000. The first mortgage is in the amount of $3,175,000 at 6.2 percent, 30-year fixed fully amortized, tax exempt. The second is a HAT loan, $500,000 at 7 percent, fully amortized, 30 years taxable, with a standby operating commitment of $150,000.

This project is in Alameda. It is a 40 unit family project. And for those familiar with Alameda it is substantially a built-out area that is geographically locked. There could well be a change in community attitude or some shift in the locality interest in supporting affordable housing in that community. This is a project that doesn't carry any locality support with it.

It has a Section 8 contract and that contract expires in June of 2003. There is an opportunity for the borrower to purchase this particular project at this point in time. The primary reason we're bringing it forward is it is an opportunity to save an existing affordable housing resource in a very tight housing market. For a look-see at the project, Linn.

(Video presentation of project begins.)

MR. WARREN: As Dick indicated, Playa Del Alameda is in Alameda. This is kind of a unique site. This is the entrance to the project. It's a very narrow one lane road that leads down into the project. It sits on the bay so access to the project is, unfortunately, very poor. It empties out into this parking area and this is the project behind it. There are 40 units, basically a 2.2 acre site. Two story structures with two and three bedrooms and the parking wraps around the project.

We have rehab issues that are significant as in the other two. This siding right here that you will see is in very poor condition. It is actually spongy and soft to the touch in some cases, if you can believe that. This will all be taken out down to the wall studs. The drywall on the interior of the units will also have to be examined for potential problems. So there's a dramatic amount of rehab to be done on the exterior and it's been one of the concerns of the Agency. This is also an example of the dry rot that exists. In this case the stairwell leading up to the second floor units. Our PNA indicates this problem is somewhat pervasive throughout the project.

The rehab level on Playa is not as extensive as the first two projects that you've seen, approximately $15,000 to $20,000 worth of rehab per unit, but it is large enough that there are a number of issues that have to be dealt with.

A lot of the rehab money will be directed toward the unit reconfigurations, new appliances, new cabinets and new flooring. This is an example of some of the testing that was done. This is typical of what we looked at on this deal because of the dry rot issues and the mold issues that existed in the ceiling and in the walls.

The grounds are quite nice; it sits on the bay. Directly behind this open area is a beach area on the bay. There is money in the budget for reconfiguration for play areas and landscaping but it really is a very nice area. One thing about Alameda that Dick indicated, it's become a very tight housing market. It's attracted a number of high-tech, high-end employment areas and much of it is being gentrified so we think that this will fit in nicely. Again, here is the exit from the project. Again, it's this narrow lane. I suppose one could call it quaint, we call it a problem, but that's all right. And again, this leads to the main area.

The rent levels of Alameda are indicative of the increasing rent pressures of this part of the East Bay. The 50 and 60 percent rents, as you can see, are well below market, which is indicative of Alameda becoming a desirable place to live. The Section 8 rents are sandwiched in-between the tax credit rents and the market rents.

This contract expires in 2003, and you will notice in your cash flow, that we are sweeping excess cash to help fund our transition reserve, primarily. You will also note that we have a HAT loan on this project. If the Section 8 cash is available it will go for early reduction or a principal reduction in the HAT loan which will then be re-amortized over the balance of the loan. So we intend to utilize the extra cash for both the transition reserve and to reduce some of our HAT financing.

(Video presentation of project ends.)

MR. SCHERMERHORN: There are no adverse environmental conditions that were noted on the review of this project site. We would be requiring a satisfactory Article 34 opinion letter. The borrower in this case is a limited partnership to be formed with a relatively new nonprofit, Trinity Housing Foundation, who are based in Walnut Creek. They were founded in 1997.

They have, obviously, an experienced player that has partnered with them to make this transaction work, which jives us considerable comfort in getting this to a permanent loan basis, and that is the A.F. Evans Company. And in the management, Evans Property Management has been contracted to manage the project so we're satisfied with that side of it. We think it's an appropriate size project for a new nonprofit to take on at this point in time.

And as I indicated before, we think this is a definitely the kind of expiring, potentially at-risk, project that we'd like to get the opportunity to co-opt at this point in time. We're recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: Questions, Board?

MR. HOBBS: I do, but I'll defer.

CHAIRMAN WALLACE: Anyone in the audience? Mr. Leone, they described you as a new nonprofit. You've been nonprofit for years, haven't you? (Laughter). I know Bill personally and he's been around the block with a variety of other nonprofit circumstances, right?

MR. LEONE: Yes.

CHAIRMAN WALLACE: Any comment, Bill? You want our approval?

MR. LEONE: Yes, I would like your approval. We are a new nonprofit. We've got a lot of board members that are involved --

CHAIRMAN WALLACE: This is Mr. Leone, for purposes of the record, from Trinity Housing.

MR. LEONE: We are a fairly new nonprofit. We do have some board members that are affiliated with other nonprofits that are not necessarily in the housing arena. We don't come with non-experience. We have been involved in brokering of these types of properties, analyzing them, we have a construction background, and one of the board members is a defaulted bond workout specialist who works with the FSLIC and we really are an analytical partner in this. I'd be glad to answer any other questions you have about some of our backgrounds.

CHAIRMAN WALLACE: Thank you. Any other questions from the Board or the audience? Mr. Hobbs, you had a question?

MR. HOBBS: I --

CHAIRMAN WALLACE: No?

MR. HOBBS: That's all right, Mr. Chairman.

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: I'm sorry to keep asking questions.

CHAIRMAN WALLACE: No, that's why you're here.

MS. PETERSON: I have one very minor question or comment, and that is that just the wording in the earlier two reports requires in the regulatory agreement, in our regulatory agreement, that not only will we require that the sponsor seek renewals of Section 8 subsidies but that the sponsor will accept them if they're available. And I'm just wondering if there is any reason why in the subsequent ones we require that they seek them but we don't require that they accept them.

MR. SCHERMERHORN: No, we require both. The regulatory agreement language has that.

MS. PETERSON: It will require acceptance in all of the subsequent ones?

MR. SCHERMERHORN: Yes, it's --

MS. PETERSON: Because in the first two reports it said that and then the rest of them didn't.

MR. SCHERMERHORN: Well.

MS. PETERSON: Thank you. That's all I needed to know.

MR. SCHERMERHORN: Unfortunately, we don't have the same person drafting all of the particular language but this is an issue that is near and dear to my heart. I can assure you that that language shows up in the regulatory agreement.

CHAIRMAN WALLACE: You just put it in there to see if we were reading carefully.

MR. SCHERMERHORN: Well, I know she was.

MS. PETERSON: As I was talking to Mr. Warren before the meeting, in my former life I was responsible for all reports that went to the Board and I'm certainly well aware that sometimes we all suffer from a lack of exact consistency from one report to another. I just wanted to assure myself that, that would be required and to, perhaps inquire as to whether or not it should be incorporated into this language.

MR. SCHERMERHORN: My concern is it's in the regulatory agreement that we have. That's the binding piece with the project.

CHAIRMAN WALLACE: But nevertheless, thanks for your scrutinizing the language. Any other questions or comments? Mr. Hobbs.

MR. WOBBS: Mr. Chairman, since Jeanne --

CHAIRMAN WALLACE: I've been waiting for five minutes to hear.

MR. HOBBS: Unlike the other, the previous projects, this has HAT participation. I understood the transition period, the sweep. What happens after the transition period? Are we amortizing for the duration of the loan?

MR. WARREN: Yes. If the excess funds are available, and we believe they would be, then basically after the transition period we would re-amortize the HAT loan for the remaining term to be coterminous with the bond loan.

MR. SCHERMERHORN: Being a thinner deal, yes.

MR. HOBBS: Okay. And without looking at the cash flow, it works?

MR. SCHERMERHORN: Yes, it's a thinner deal.

MR. WARREN: Yes.

MR. SCHERMERNORN: So we're recognizing right up front that it may take a while.

MR. HOBBS: Thank you, Mr. Chairman.

CHAIRMAN WALLACE: Thank you. No further questions?

MS. HAWKINS: I will move that project, per the request, be approved.

MS. PETERSON: Support.

CHAIRMAN WALLACE: Moved by Hawkins and seconded by -- Ms. Peterson, was it?

MS. OJIMA: Yes.

CHAIRMAN WALLACE: Or was that you, Terri?

MS. PARKER: I can't do that, Mr. Chairman.

CHAIRMAN WALLACE: I'll bet you could if you tried. Secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.
MS. OJIMA: Ms. Nevis?
MS. NEVIS: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: Resolution 99-32 has been approved.
CHAIRMAN WALLACE: 99-32 approved. Let's move on to the next one.

RESOLUTION 99-33

MR. SCHERMERHORN: Okay. Our next request, Mr. Chairman, is a final commitment request for a first mortgage in the amount of $2,300,000 at 6.2 percent. This is a tax-exempt financing, 40-year fixed, fully amortizing. For a new construction project, 75 units. It's an elderly apartment project and this has also some retail commercial involved in the project itself. We're not financing that portion of it but it's that type of a project. And to take a look at that, go ahead, Linn.

(Video presentation of project begins.)

MR. WARREN: As Dick indicated, this is a 75 unit eenior project in the town of Southgate, which is in Los Angeles County. This is the project right here. This corner right here at one time was a gas station and I'll discuss that in a minute. This graphic shows you what the project will look like. The senior units are located along this level in here and it's basically surrounded on Tweedy Boulevard and it's adjacent street with the commercial.

This is a major effort on behalf of the town of Southgate for redevelopment. Tweedy Boulevard is a major commercial street and I'll show you a graphic of that in just a minute. But as you can see, financial contribution on behalf of the city is substantial and this will anchor one end of this retail district in the town of Southgate.

There was a gas station on the site, which was located right in here. What is being done is the tanks have been removed. There is some contaminated ground soil which is being mitigated. There will be a condition of our commitment that the local water quality board sign off on the nitigation procedures prior to our final funding. We have retained Dames & Moore to do an evaluation of this work but we have every reason to believe the work will be done appropriately.

As Dick indicated, we are not financing the commercial piece. Our deed of trust and mortgage, however, will encumber the commercial piece as well as the residential, although no project cash flow from the commercial piece will go toward the debt service of the first loan. We do have a right to regulate and to ensure that the retail component is done properly or maintained properly, consistent with the use of the senior apartments. We have a similar project with the same developer the Board approved recently in Montebello and we have similar restrictions to monitor and make sure that the retail is done properly.

This is Tweedy Boulevard. This consists primarily of light retail, some residential, and there is a strong effort on behalf of the city to try to revitalize this particular area. You can see it's fairly straightforward.

The rents are interesting in Southgate. As you can see the 50 percent rents have three levels. What the city is doing here in conjunction with the borrower is to keep the rents basically at or around the 50 percent level for the full term of the loan. Both the city and the borrower have elected to try to keep the rents as low as possible, hence we have this slight difference in these 50 percent levels to try to get as much affordability as we can, but they all are under 50 percent. The yellow bar indicates that market rate rents for Southgate are fairly high, particularly for seniors. There is very limited senior housing in this part of Los Angeles and this will certainly be welcome.

So we have a nice differential between the rents and the market rent area so we think it serves a dual purpose: One, revitalization from a commercial standpoint, which the city clearly needs; and provides some very good sffordable housing for the city in the same project.

(Video presentation of project ends.)

MR. SCHERMERHORN: In looking at the write-up on this project you probably have deduced that this project really is being driven by the locality. This is a state/local, there are no tax credits involved. This is a redevelopment project in which we have an opportunity to get elderly affordable housing into the equation, but it's primarily being driven by the substantial financial commitment from the redevelopment agency. We're certainly pleased to be part of that.

The borrower in this case would be Southgate Senior Villas, a limited liability company, with whom we have another project, it is similar to this, in Montebello, that the Board approved and is under construction at this point. So it's a similar kind of transaction that we're dealing with. I'm not going to go through the environmental narrative, one of our lengthier ones for the credit presentation, I think Linn covered that quite adequately.

That's the borrowing entity. We're recommending approval, be glad to answer any questions.

MS. HAWKINS: Since the Chair has turned this Resolution and request to me, are there any questions?

MR. SCHERMERHORN: Before you proceed, Madam Vice-Chair, I have a correction to make here on the resolution. This is a 75 unit project and the resolution notes, 74. It should note, 75.

MS. HAWKINS: Okay, noting that correction --

MR. SCHERMERHORN: Thanks to our ever-alert Executive Director who picked up this one.

MS. HAWKINS: All right.

MS. PARKER: At about 5:30 this morning.

MR. SCHERMERHORN: Our proofreader.

MS. HAWKINS: Okay, any questions from the Board. Yes, Ms. Bornstein.

MS. BORNSTEIN: I'm wondering what the access is to public transit, especially since it's a senior project.

MR. WARREN: Tweedy Boulevard is the main thoroughfare for Southgate and busses do run up and down that on a regular basis. As far as besides the bus lines, I'm not sure. But I do know when I was at the site that was -- The bus stops are right nearby, fully utilized. The sponsor, I know, has in prior projects offered van services on a regular basis. I'm not sure if he's going to offer it here but it's something that we can look at.

that kind of coincide with the seniors. Our goal, though, is to make sure they are of high quality and consistent with the project.

MS. HAWKINS: Mr. Wallace.

CHAIRMAN WALLACE: How do we get away with encumbering the retail section and having it? I kind of --

MR. SCHERMERHORN: He's glib.

CHAIRMAN WALLACE: I would be offended, having been on that side of the equation. And doesn't that impair their ability to develop the retail? I can see certain approval rights, Linn.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Because of the proximity of the project. And you said we did it in Montebello with the same developer.

MR. WARREN: Yes.

MR. SCHERMERHORN: Yes.

MR. HOBBS: And we have a project in San Diego.

MR. SCHERMERHORN: And a different RDA.

MR. WARREN: A different RDA.

MR. HOBBS: Because I remember we had a San Diego project that was a combination.

MR. SCHERMERHORN: Right.

MR. WARREN: And others.

MS. HAWKINS: Yes.

MR. WARREN: The ability to condominiumize this, which would be the alternative, I think would be difficult and fairly expensive. The RDA is comfortable with us having that. Clearly, if something goes wrong with the project the RDA would step in and remedy the problem before we would ever have to extinguish their interest.

MR. SCHERMERHORN: The primary reason in this case is that the RDA has similar housing objectives. Even though they are primarily driving the retail and the commercial development in this they also have that housing objective in here. Which makes it palatable to have this kind of an agreement in place.

CHAIRMAN WALLACE: Well, I can see it from the RDA's standpoint. They've got --

MR. SCHERMERHORN: But the developer is at their mercy, though.

CHAIRMAN WALLACE: Yes, I understand that too. But to me it's a built in potential inhibitor in the development of the commercial area. I mean, you've got $2.3 million out there all ready and you haven't turned a blade of dirt on the retail.

MR. SCHERMERHORN: No, it would all go -- The whole thing is developed at one time.

MR. HOBBS: As a part of the RDA loan.

CHAIRMAN WALLACE: They have a retail developer or is this the same developer?

MR. WARREN: He is the developer.

MR. SCHERMERHORN: Yes, he is both. It's like a single package.

CHAIRMAN WALLACE: Okay.

MR. SCHERMERHORN: The whole thing goes at one time.

CHAIRMAN WALLACE: But how is he going to -- We're in front of him on the retail component, are we not? Isn't that what you were saying?

MR. WARREN: Essentially, yes. Our deed of trust would basically be encumbering both so, in a sense we would be ahead of him.

CHAIRMAN WALLACE: And that inhibits his ability to get financing on the retail development, I would think.

MR. WARREN: The commercial contribution from the RDA funds the retail.

MR. SCHERMERHORN: The RDA is funding it.

CHAIRMAN WALLACE: I'll take it. I understand.

MR. WARREN: Simply put, the commercial is being paid for by the RDA.

CHAIRMAN WALLACE: Okay, that's the answer. Ms. Parker.

MS. PARKER: And that's consistent with what we did in the other, right?

MR. WARREN: Yes, it is.
MR. SCHERMERHORN: Yes.
MS. PARKER: Following along --
MR. SCHERMERHORN: Yes, we like these deals.
CHAIRMAN WALLACE: Well, and from our standpoint it's fine.
MS. PARKER: It's great.
MR. WARREN: Yes.
CHAIRMAN WALLACE: Congratulations, you did good work, guys.
MR. SCHERMERHORN: We try.
MS. HAWKINS: Okay, any other questions?
MR. HOBBS: Madam Chair.
MS. HAWKINS: Yes.
MR. HOBBS: A question and a comment. Mr. Wallace, we on the local agency side, have wrestled with that problem for a very long time. How to combine low/mod income housing with a live/work environment.
MS. RICHARDSON (FROM THE AUDIENCE): We can't hear in the back.
MR. HOBBS: I'm sorry. In terms of commercial involvement, specifically. And it indeed is a lending problem. I, yesterday, spent several hours with Lincoln Properties trying to think of ways that we can, at a local level, provide that kind of live/work financing options

without it interfering with capital markets. And it is a problem. And we all stumble across the same thing. As long as the local agency is willing to put its money up, on the commercial as well as the residential piece, then it works.

CHAIRMAN WALLACE: Yes. And with $6 million advanced by them I guess it does the job.

MR. HOBBS: I do, Madam Chair, have a quick follow-up question on the environmental portion. Is our loan tied to -- You mentioned we are tying this to local AQMD approval, or sign-off.

MR. WARREN: Yes.

MR. HOBBS: Are we funding any portion of the environmental remediation?

MR. WARREN: No, no, we are not. Our first answer to your question is, yes, our approval funding is tied to successful mitigation; and two, we are not funding any mitigation. I did not mention, though, the parcel that contained the gas station will not be part of our mortgage. It will be owned by the city and we will have an irrevocable access easement over that for benefit. But we will not have ownership to the older site.

MS. HAWKINS: *Any* other? Yes, Ms. Peterson.

MS. PETERSON: I just had one brief thing and that was: It's very interesting that we will have the lien on the commercial when we have no financial interest in it and I wondered whether or not we had done things where we might have, for example, required a master lease. Required, if the owner was the same, required that the owner guarantee a master lease. Because that's another tactic that can be taken. But I find this to be certainly good for CHFA if the municipality and the owner are willing to agree to it.

The one question that I had – and again I apologize, this is my newness speaking, probably – but that is, it has to do with the definition of senior as being 62 years of age. I wondered if somebody might be able to enlighten me as to that because we all know what HUD's definitions used to be. This is not federally-assisted and I would think that the California statute would apply. Which I --

MR. SCHERMERHORN: No, no, it's a potential risk-share project so federal applies. FHA 542(c).

MS. PETERSON: This will be a risk-share?

MR. SCHERMERHORN: We're processing it as a risk-share project, 542(c), and therefore the federal --

MS. PETERSON: Ever-changing definition of senior.

MR. SCHERMERHORN: Ever-changing definition.

MS. PETERSON: And very confusing, I might add.

MR. SCHERMERHORN: Would be applicable if we risk-share. That's why we do these this way. It gives us the option to go that way. If we don't go that way then state law applies.

MS. HAWKINS: And could you clarify for us, the difference between the state's --

MS. PETERSON: It's very confusing. I didn't mean to open a hornet's nest.

MR. SCHERMERHORN: Well, possibly you can clarify it, because I agree, it's a little confusing.

MS. PARKER: What would be the requirements, Jeanne?

MS. PETERSON: That's not fair. I'm new here. My understanding is that the state, I believe the Civil Rights Act, or perhaps the Unruh Act — Those who know better than I can talk better to this — really defines senior or gives an exemption to fair housing and civil rights laws to permit senior-only deals but that that definition begins at 55.

MR. SCHERMERHORN: Oh.

MS. PETERSON: Which is kind of scary to all of us as we get older.

MR. SCHERMERHORN: I didn't mean to burden you with the state definition, it was the federal one that I was -- Why the 62. The 62 is what federal law is currently determining as the --

MR. WARREN: I'm just saying that even that is in some degree of flux.

MR. SCHERMERHORN: Yes.

MS. PETERSON: Yes, it is, and that's what I meant by saying that 62 -- It used to be that senior, for the federal definition, began at 62. But unusually, to some of that anyway, also included all handicapped people, irrespective of age.

MR. SCHERMERHORN: That's correct.

MS. PETERSON: If you were 19 or 22. That definition, that's been in a state of flux over the last five or six years with respect to jobs (sic) that already were supposed to be senior jobs and had handicapped people living in them and so on.

But my understanding at the federal level, and you all can correct me if I'm wrong, is that if it's going to be strictly senior then you really have to have some special architectural features in some plans. So my questions stemmed from, A, I thought it had no federal involvement and therefore that it should be at the 55 level. Hearing that it may be a risk-share deal, presumably that means that it does have the components, the planning components for seniors that would be required at the federal level.

MR. SCHERMERHORN: The 62, we've had some relatively recent experience with HUD on some specific deals in which the sponsors wanted the lower age requirement. HUD said no, 62 is what's applicable, and they rendered some writings to that effect. So we have been guided by that in dealing with the risk-share. That's how we identify it.

Yes, when we process these, where we are contemplating the potential of using it as a risk-share transaction for credit enhancement purposes we make sure the project goes through all of the processing requirements so that it's eligible. If not, if we don't do it that way, no harm no foul, we've got it ready to go. We may credit these in a different way.

MS. PETERSON: Thank you. And I didn't mean to start a big --

MS. HAWKINS: So that clarifies that for us, where it's the state guide or requirement is 55 and the federal, 62. Is that it?

MR. SCHERMERHORN: You're relatively safe holding that thought today.

MS. PETERSON: Generally.

MS. HAWKINS: Okay.

CHAIRMAN WALLACE: You're only as old as you feel, and I'm tired. (Laughter).

MS. HAWKINS: Okay.

MR. HOBBS: Fifty-five?

MS. HAWKINS: We can move in.

CHAIRMAN WALLACE: I'll move approval.

MR. HOBBS: Second.

MS. HAWKINS: It's been moved and seconded. Any discussion? Hearing none let's take the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-33 has been approved.

MS. HAWKINS: Thank you.

CHAIRMAN WALLACE: Thank you, Carrie. Now the really big one, number five.

RESOLUTION 99-34

MR. SCHERMERHORN: Yes, Mr. Chairman. This project we're bringing to you is really the staff's initial commitment request. This hasn't really been requested by the sponsor to do it, but consistent, as we explained to the sponsor, consistent with our outstanding policy and procedures regarding projects.

This is one of significance in that if it is something we do end up financing would be three times as large as any project that we have financed to date. And because of that significance and the fact that there are a lot of issues associated with this particular project we wanted to make an initial presentation to the Board about what it is that we are being requested to do at this point.

And we will freely admit we do not have all the answers to all of the questions about this project yet. There are some significant questions about the financing structure that HUD has yet to opine, render a decision, whatever it is they are doing these days, before we can bring it to a final commitment.

Assuming that we get all of the questions satisfactorily answered in the next few months – and I stress satisfactorily answered – it appears that we would be proposing to bring it as a final commitment to the January Board Meeting. But there's a lot of ground to cover to get there.

This request would be for two loans to provide permanent funding for a project called El Rancho Verde Apartments in San Jose and the two loans from CHFA sources would total $74,191,379. There is locality funding involved;

it presumes 40 tax credits. And we have a standby operating commitment consideration that would be attendant to this project. It is an existing 700-unit family project located in San Jose. It has a 236 IRP loan on it that we would be dealing with. There are also outstanding HUD requirements on it, all of the details of which we do not know yet. We have not gotten a copy from HUD of their outstanding regulatory agreement on this project. We know that one exists and we need to see that.

It was a project that was subject to the ELIPRA process. As you may recall from the past two Board Meetings one of the things we covered was that this is not the first time the preservation issue has confronted the state. It did back in the 80's. At that time there were two federal programs that were designed to deal with the preservation issue at that time, LIPRA and ELIPRA. This is one of the projects that got financed, got financial support at that time as a result of that process. There is a regulatory agreement in place on the projects as a result of that. But we also understand the projects do have the right to do a refinancing on them.

There are questions that we have around all of that that have'yet to be satisfied. But because of the timing we thought we would bring this forth and see what the Board's interest is in us pursuing this to completion, and if so, what additional questions we need to be looking at if we do bring it for a final commitment. So at this point it would be best to take a look at the project.

(Video presentation of project begins.)

MR. WARREN: El Rancho Verde, as Dick indicated, is in San Jose. More specifically, it's in East San Jose. It's 700 units on a fairly large site. It's been commented it almost operates as a city within a city, although when you walk the project you don't get that sense. Because of the open space and the large site area it really does resemble, as it does here, a very straightforward, two-story garden style apartment. So you don't get a sense of the size of it unless you walk through the project.

It is approximately three years old. One of the nice benefits of the project is it's been extremely well maintained by the 'owners. This is somewhat different than the other projects that you have seen earlier today in that noney has been rolled back into the project and the physical structure of it is actually in pretty good shape.

But that said, the potential buyers on this are planning on spending approximately 16 to 17 million dollars in rehab, or approximately $20,000 per unit. And a lot of the money will go toward the common area. There are large, open spaces. The sponsors are anticipating building pools, wading pools and recreational centers to try to bring the amenities up to the level of competing projects in the San Jose area.

Again, this is typical of the work, the work that will be done. There will be a seismic retrofit, although at this juncture that does not appear to be a significant problem. In the interior of the units is where the amenities will be, perhaps, most noticed. Dishwashers are to be installed, new cabinets, new counter-tops. Again, to bring the amenity level up for this project to the equivalent of the family projects that are being built in San Jose today. Again, a good indication of the landscaping which will also be enhanced but it is mature and fairly well maintained.

This graph indicates the rents for the project and this is somewhat interesting. The 50 and 60 percent rents, as you would expect in the San Jose area, are below market. The rent pressures in this part of San Jose are almost as strong as they are in the rest of the Santa Clara Valley. For example, if all 700-units were basically put on the market in East San Jose today, the capture rate, or how much of the market would have to be garnered to fill the project, is only four percent. To give you an idea of what the rent pressures are.

There is a situation, however, with the Section 8. The current contract that exists, and it's on annual renewals, is below the 60 percent level. One of the requirements, and one of the requests the sponsor has of HUD, is to increase the Section 8 to a level that is commensurate with the 60 percent rents, either through contract or vouchers. Our strong preference, clearly, is that it be done -- our requirement maybe that it be done through the contract increase. But that is a request that they have in front of HUD. And we have been led to believe by the sponsors that that is a main component of their requirement to go forward with the project.

Put that issue aside for the moment, as you can see the overall rent pressures in San Jose are continuing relatively unabated. There has been some lessening of that but job growth in the San Jose area continues to increase. Maybe not at the same levels that they were two years ago but certainly fairly strong. And if the capture rate is any indication of what is going on in this part of San Jose, there really is a shortage of necessary housing. So from that standpoint, on a pure credit analysis standpoint, the demand and the supply equations certainly work in favor of a long-term loan, even at the size that we are talking. Dick.

MR. SCHERMERHORN: Hold that, will you please.

MR. WARREN: Yes, sure.

MR. SCHERMERHORN: There's a lot of detail things we could talk about but from my perspective the deal, in terms of considering going forward, it boils down to a couple of points. One is, the size of the transaction. Our multifamily portfolio is over a billion dollars now so a $71 million transaction at this point in time is not out of question for the Agency to consider from a credit risk standpoint but it is a significant concentration of risk.

Mitigating this is the fact that this is planned to be a substantial, affordable housing product. It's been operated as an affordable housing project, would continue to be so in a market that, as you well know, in the greater San Jose area has a high need for this kind of a product. So as a real estate credit risk this certainly seems to be a palatable one. But it is a significant dollar amount we're talking about here.

The second, and when I talked about getting acceptable answers to questions that are outstanding, that really is key in this chart. Our assumption is, and it goes back to the transition plan scenario. You've got a rent level in the tenant profile in this project right now that is not the green and — Is that purple or blue? Whatever — the green and the blue lines. If the tenant profile is at lower rent contribution levels than that and they are being supported by Section 8, which they are, and Section 8 for whatever reason went away, our transition plan says it needs to come up to the green and blue lines in order to debt service what we're talking about. So there would be a tenant profile change. That's a big impact in a project of this size.

The third issue in there is the current Section 8 contract, the red lines, are below what would be needed to debt service this project at the assumption that we would be making and that the sponsor is making. So for the deal to even get to us at the final commitment stage the big answer to the question that HUD has to answer is, are they interested and willing in making a commitment to increase the Section 8 contracts outstanding on the project to that proposed level. That's a question that's in the works with HUD, we don't know what the answer to that is.

And then, of course, there is the fourth question which is tax credits. Because the presumption here is tax exempt financing, which would require private activity bond allocation, and the proposed regs that are out have a caveat about an exception for the $30 million limit. It remains to be seen whether that is in fact going to occur,whether the project would qualify and whether it gets approved.

(Tape 1 was changed to tape 2.)

Most of these questions are questions that are outside our purview to decide. We need the answers to those. To me the issue is, if we were to get favorable answers to all of those questions not within our control, is this a project financing that the Board would be willing to consider if we would move it to a final commitment?

CHAIRMAN WALLACE: That is the question, the one within our control. Is this just too big for us? We have never made a loan like this, assuming that all the other stuff comes up as manageable. So how do you feel about it? The largest loan we ever made was 26 -- 25 or 26.

MS. PARKER: $26 million.

CHAIRMAN WALLACE: I guess we've got the money and we'd like to apply affordability to the greater part of 700 units. We could do it in a big chunk.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I have a question bef re I respond to that question. Is there a way that we could know how many projects or developments are there that are above, say, $50 million, as far as the number of units? And I realize in the various markets the value or the cost of the development is different but how many in our state that we would have an opportunity to get involved with like this? Do we have any figures on that? Because are we missing the opportunity on assisting affordability in these large projects because we've done the smaller ones? Could you give us any insights on that?

MR. SCHERMERHORN: Okay. It is not a -- I can number on one hand the past projects of large size that have even been talked to, that have talked to us about doing financing on them. And in the past when we have indicated that we wanted affordability levels at up to 45 and 48 percent in the projects they were looking for strictly 80/20, they went away. So it's been a small number of them. How many are there? I don't know exactly. We do know that there is another project in Southern California of comparable size that might contemplate this kind of a financing approach.

The reality, though, in going down this path, is there is a finite amount of necessary resource to deal with the affordable housing demands, as Jeanne well knows. All you would need is about four of these projects and you'd wipe out 50 percent of the state's private activity bond allocation in a year.

MS. HAWKINS: Right. Right.

MR. SCHERMERHORN: So there is a significant policy issue at work that CDLAC is grappling with around this too.

MS. HAWKINS: Yes.

MR. SCHERMERHORN: We fully understand that. I am right now only aware of a couple of projects that might even be thinking along these particular lines. But how many of them might go this way, I don't know. Do you?

MR. WARREN: No. I think that what is happening is now owners such as these are finally making decisions, and we've kind of been waiting for that. What Dick is alluding to is approximately 900 units in the San Diego area, but my sense is that as the momentum grows and as HUD begins to make more decisions then projects of this size — and, again, we're not sure how many there are but there are some — will come to the surface because the decision is now being made. The short answer is we will probably find more so we'll just have to wait and see.

CHAIRMAN WALLACE: Do you know anything about the developer? I guess they're pretty big, safe and friendly. But you don't tell us much.

MS. HAWKINS: Related Capital are you talking about?

MR. WARREN: The purchaser or the owner?

CHAIRMAN WALLACE: I'm sorry, Related Capital Company.

MR. SCHERMERHORN: Okay. It's Related Companies that are driving this transaction right now.

CHAIRMAN WALLACE: Correct.

MR. SCHERMERHORN: There would be a tax credit partnership to be formed.

CHAIRMAN WALLACE: Well, I mean, Related Companies. What do we know about them?

MR. SCHERMERHORN: Oh yes, we know about them.

CHAIRMAN WALLACE: You do?

MR. SCHERMERHORN: Oh yes. They are one of the very few operators on the street that can grapple with this kind of a project and make it work. And they have got the sophistication and the experience to deal with the issues.

MS. HAWKINS: I'm very familiar with them and they have a very good reputation, I've dealt with them with another housing entity. And in fact, one of the people involved used to sit on this Board that works for Related, we've known her for years.

CHAIRMAN WALLACE: Okay, is it too big? We don't want staff spinning wheels if in the end we're going to make a decision that this is just bigger than we can stand. So the earlier we get on and encourage them or discourage them the more efficient.

MS. PARKER: And anything else, Mr. Chairman, that staff should be cognizant of, if you decide to approve this today, that *you* would want us to make sure that we cover when we would bring it back to you for a final. So if there are --

MS. NEVIS: I had a question for staff and that was regarding the, you might say, preservation urgency, since this was one of those projects that was in the first round. How much at-risk it is, and so maybe we could talk about that. I know you said that some of the information is not completely clear yet from HUD as to --

MR. SCHERMERHORN: Yes, in terms of the project specific. But understand that from our standpoint, as I have indicated in our prior discussions on preservation, the Agency's viewpoint is the broader definition of preservation, which is, if we can co-opt any existing resource out there right now we're going after it.

MS. NEVIS: No, and I certainly appreciate the location of this project. We all know how difficult it is to just have affordable family housing of any type in the San Jose area.

MR. SCHERMERHORN: Getting into what other definitions may have to come into play here is not entirely clear.

MS. NEVIS: Thank you.

CHAIRMAN WALLACE: From my standpoint, I'd encourage you to go forward on the assumption that you can work out the underwriting sufficient to, as you do on all other projects, sufficient to make us comfortable. The mere size of it -- And I know there's a lot of potential problems, can they get the tax credits and so on.

MR. SCHERMERHORN: Yes.

CHAIRMAN WALLACE: But the mere size of it, as I view CHFA today, should not dissuade us, as far as I'm concerned, from seeing if we can produce a viable product. I understand the arguments that four of these would clean out the pipeline and stuff, but from what you've said, we're not going to see four of these right away. But I don't think it should discourage us from at least taking a serious run at seeing if we can come up with an underwriting package that makes sense.

MR. SCHERMERHORN: You've got a question over there?

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: I just wanted to make a couple of comments. I think it's important to look at the impact on CHFA. I think it's important to look at the impact on CDLAC and the private activity bond cap. I think it's also germane for us to look at the impact on tenants. I understand and appreciate that this initial commitment really is more to get sort of a sense from this Board as to whether or not it does consider it valid public policy to go forward with such a large project. And that probably were it located in many other areas of the state that the concerns wouldn't quite be the same.

I do have thoughts about the impact on the various agencies and people involved and it seems to me that staff wouldn't come back and recommend to us a final commitment unless the impact on CHFA is something that, considered opinions will tell us, is a reasonable one and a reasonable risk to take. With respect to CDLAC. As Dick mentioned, we have procedures that at this very point in time, in fact this very day, public hearings are being held on that although they may permit some exceptions to a general $30 million limitation per project, this would be a whopping exception, obviously, to be talking about, over $70 million for one project.

I guess lastly, and almost most importantly to me, the hard questions that need to be asked even before we go forward really have to do with this question of what the impact on tenants is. And what I mean by that is simply that we have a project that has already been preserved; that federal resources have been used to preserve.

And *my* understanding, and I'm very willing and capable of being wrong about this, that unlike some of the other projects that we're looking at today, really doesn't have the option of opting out. I mean, we're talking now about preserving something that for at least another decade would afford tenants reasonable rents based on 30 percent of their incomes and that it can't opt out now.

And so we're really kind of looking far down the road and saying, well, in a dozen years it might. And yet, you know, what's going to happen to those tenants. If we don't go forward they've got Section 8, it appears to me. If we do go forward and we're going to, we don't know what the impact on them will be. And that's a little worrisome to me.

MR. SCHERMERNORN: I'm sorry. If we do go forward you don't know what the impact is? The contract stays in place. The issue --

MS. PETERSON: We're saying that the owner is going to negotiate with HUD for an increase in the Section 8. And if you're telling me --

MR. SCHERMERHORN: In the contract.

MS. PETERSON: -- that's a condition precedent to us going forward then that's something --

MR. SCHERMERHORN: Okay, let me make sure you clearly understand. We have an existing Section 8 contract supported project that's good for another, about ten years.

MS. PETERSON: Right.

MR. SCHERMERHORN: As an aside, this is another policy discussion that CDLAC is going to probably face. because there are proponents who are arguing that even in that time frame, if we have the opportunity to capture these projects with a new 30-year financing and regulatory commitment on them that now is the time to do it because you don't know what's going to happen in the next ten years. And at the end of that period of time there definitely is the possibility of the project going away.

MS. PETERSON: You're talking about expanding the at-risk definition to be more than two years.

MR. SCHERMERHORN: All I'm saying is I've heard that dialogue, okay.

MS. PETERSON: Correct.

MR. SCHERMERHORN: Okay. What we do have, though, is a project with a Section 8 contract. What they want to do, and they have -- I am satisfied that they have the legal authority to refinance this because the ELIPRA regs allow them to do that. They have the ability to refinance it, the issue is, can they debt service a project that's refinanced?

And what we had in the chart showing *you* is, and what the owner's case that they're making to HUD is, if we refinance it the tenant profile will stay as it is because the Section 8 contract is there, all we want is an increase in the Section 8 rents up to the tax-credit rent limits, which are still below the market rate rents in San Jose. And that's the decision HUD has to make as to whether they are willing to do that for the remaining term of the contract that's on there. So for the remaining term of the Section 8 contract this transaction would not change the impact on the tenants in the project from a rent standpoint.

MS. PETERSON: For the next 12 years.

MR. SCHERMERHORN: Correct.

MS. PETERSON: So we're saying that, basically, a condition precedent to CHFA making its loan would be the agreement by HUD to permit the Section 8 contracts to rise to the level of tax credit rents.

MR. SCHERMERHORN: Yes, because that is critical to

our underwriting because we need demonstration --
MS. PETERSON: Right.
MR. SCHERMERHORN: -- that the cash flow will support the tax credit rent level that's the end of a transition plan, if we ever have to run into it.
MS. HAWKINS: And then that would continue into the term.
MR. SCHERMERHORN: To the end of the --
MS. HAWKINS: Yes.
MR. SCHERMERHORN: Yes, for another ten years.
MS. PETERSON: Do we have *any* indication whether or not HUD would consider that? Because they're not under any obligation to, obviously.
MR. SCHERMERHORN: No, I understand, no.
MS. PETERSON: So it seemed odd, a little bit.
MR. SCHERMERHORN: To my knowledge we have not heard a peep, a cackle or whatever.
CHAIRMAN WALLACE: A groan?
MR. SCHERMERHORN: Or a groan, yes.
MR. WARREN: Perhaps groans. No, the sponsors have been in dialogue with them and this is one of the first things that they did. But we do not know where that's at.
CHAIRMAN WALLACE: But in any case, our further pursuit of this would be conditioned on that being satisfied.
MR. SCHERMERHORN: Oh, yes. The underwriting

doesn't work without it.

CHAIRMAN WALLACE: To me, you get back to the question, is this not -- are we taking away from other potential projects? Is this too big, too many eggs in the same basket and so on, and should we stop there for the processing at this time. And as far as I'm concerned the answer is, no, we should pursue it.

MS. PETERSON: Mr. Chairman, I would add, in that sense, to the question from the staff's perspective to you all from a policy standpoint. We have had, I would say for really the Board Meetings, at progressively increasing levels throughout this year, discussion about preservation. And the direction has been to the staff of the Agency to essentially be as creative and aggressive as we possibly can on preservation. Part of this agenda has a number of different kinds of approaches and so, you know, we're here. This is it. Are we getting warmer or are we getting colder?

CHAIRMAN WALLACE: We have found the enemy and it is us, once again.

MS. HAWKINS: Are you asking for a motion?

CHAIRMAN WALLACE: I want your quick sense of, do we go forward with this or don't we.

MS. HAWKINS: Mr. Chairman, I would agree with you that we should go forward, considering all of the facts that we know now, subject to the terms that have been brought before us.

MR. SCHERMERHORN: We presumed that we would be bringing an acceptable credit supportable package, yes.

MS. HAWKINS: And if we're going to do this kind of a project I would say we are working with one of the best in the industry. Wouldn't you concur, staff, that *you* could highly recommend the parties involved.

MR. WARREN: Yes.

MR. SCHERMERHORN: For the issues involved in this, absolutely.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Hobbs.

MR. HOBBS: Mr. Chairman, in this case size is not a determinant for me. I think we as public policy makers here, having to do with housing, owe a significant obligation to look at the market. And in this particular case, and this particular location, I think that we can make certain assumptions even 10 and 15 years down the road. We're talking about a trillion dollar plus economy down there in the Santa Clara Valley. That's not going to go away in 10 years, it's not going to go away in 15 years. It's going to continue as it has, to spin off associated problems, including housing. In this case, size doesn't bother me.

I'm a bit more concerned, and I think it's already talked about, about the tenants. In some cases, if I read the charts correctly, we're talking about as much as 15, 18 and 20 percent differences between where Section 8 is and where we need to go in order to make this credit worthy. I think that's significant.

MR. SCHERMERHORN: You understand it doesn't impact the tenants.

MR. HOBBS: Yes.

MR. SCHERMERHORN: While the Section 8 contract is in place.

MR. HOBBS: I understand that.

MR. SCHERMERHORN: Okay, all right

MR. HOBBS: But at some point during our underwriting, it will. I think that was part of Jeanne's concern and it is my concern as well.

MR. SCHERMERHORN: Yes, but at some time, in reality, what's going to happen is --

MR. HOBBS: It could trigger up.

MR. SCHERMERHORN: That's right. If Section 8 goes away, that's the issue.

MR. HOBBS: The trigger up. So I support your contention, Mr. Chairman.

CHAIRMAN WALLACE: Judy.

MS. NEVIS: Yes, I would agree that we should continue to pursue this again, particularly because of the Location and keeping in mind that we do our best to take care of the rent issues that Jeanne was discussing. I think we all have that concern. But the area is so vital and it's so hard to do affordable housing there.

CHAIRMAN WALLACE: Angela.

MS. EASTON: Based on the --

CHAIRMAN WALLACE: Did you ever hear of the Santa Clara Valley down in Southern California?

MS. EASTON: Just a little.

CHAIRMAN WALLACE: Okay.

MR. HOBBS: I was down there all the time trying to get companies to move to Southern California, it didn't work.

CHAIRMAN WALLACE: Thank you.

MS. EASTON: Based on the situation and considering that we would look at all of the underwriting criteria and that it would have to work then I would see no reason not to look at it further.

CHAIRMAN WALLACE: Jeanne. Have you got your oar in or do you want to pass?

MS. PETERSON: It's hard to pass. (Laughter).

CHAIRMAN WALLACE: Unaccustomed as you are.

MS. PETERSON: Yes, indeed. I believe that the preservation of units is really important, and particularly in the location that this project is located. I do -- I do have some concerns about its impact on a private activity bond cap and, in effect, I guess I would say that what we are really looking at is what we're getting, our bang for the buck, for the 18 additional years. I think that's really the best way to characterize it and sort of, is it worth it for that.

With a caveat that this is an initial commitment and really what we're being asked to do is to comment on whether or not we believe staff should go forward in pursuing it, and with the further caveat that I have no idea how the CDLAC procedures are going to turn out, I would be able to vote in favor of staff pursuing this project.

CHAIRMAN WALLACE: Bethany, you want to give us your thoughts as a first time attendee.

MS. ASELTINE: As a first time attendee, I agree. I mean, there are serious concerns about affordability in San Jose and the situation isn't going to get any better long term. So if all we're doing is looking at the viability of this project, we're looking at the potential that this project has, I see no reason not to go forward, Mr. Chairman.

CHAIRMAN WALLACE: And Terri, I'd like your thoughts on it. It's your team that's going to do the grunt work.

MS. PARKER: I think just a couple of comments about it, Mr. Chairman. I think that the staff have been working to try to essentially feel the direction of the Board to be very aggressive, and essentially in that sense feel, we feel good about Related coming to us and trying to see if we can be talented enough and creative enough, if this is a project that could be preserved for a future amount of time to be part of that.

I would add one comment; I mentioned this to Jeanne the other day. Ken Carlson and I went to the most recent CDLAC meeting where they talked about the procedures that are being considered at public hearing. And when there was discussion about providing the exemption of the $30 million for preservation projects one of the members asked about whether or not that exemption made some sense.

And I offered to — because we're recommending to provide this — I offered the real world example to the Board Yembers that CHFA was looking at potentially two projects that were substantially over $30 million that were preservation and one of them was in San Jose and one of them in Southern California, so they could get some sense that there truly were projects. There probably are not a lot but there are real case situations.

And I think what will end having to be dealt with Erom a policy perspective that we will all sort of look and talk about to try to get comfortable with, is, as Jeanne said, what is it you're getting for the bang for the buck. And I think it's going to end up being sort of a case-by-case basis. CDLAC, as a member of it, now non-voting but having been a voting member for quite some time, has to deal with the issue of what do you get for the private activity allocations. Some people have concerns about whether or not 20 percent affordability and 80 percent of market rate is a good utilization of allocation.

Those decisions are often made depending where the project is. And I think that when it comes down to the final analysis we will all have to get comfortable about whether or not we really could lose the affordability of this project, when that will happen, what the impact will be on tenants. And in that sense, how it all ferrets out relative to what the other options are for the use of private activity bond. But particularly recognizing the significance of the housing demand in this particular area. So I think based on that, that's why the staff brought this back to you. We have tried to move it forward as we are working through. But we believe those are, you know, sort of public policy concerns.

CHAIRMAN WALLACE: What I'm sensing is there's an encouragement to go forward, and it's fair to say that you and the staff are not adverse to our sending you in that direction. Is that fair, Dick and Terri?

MR. SCHERMERHORN: That's fair.

CHAIRMAN WALLACE: Let's go for it. Okay With some reluctance I'm going to call for a five minute break because this is kind of the dividing point.

MR. SCHERMERHORN: A logical point, okay.

CHAIRMAN WALLACE: And I mean five minutes, okay. So if you're making a phone call and then you're still on in six minutes you're going to be missing some great action. We're recessed for five.

(A recess was taken.)

RESOLUTION 99-37 - PRESERVATION ACQUISITION FINANCING

MR. SCHERMERHORN: -- use set-aside monies that had been aggregating into large pools for a period of time have been pretty well drawn down, committed, utilized at this point. And what the localities are now working with is just the annual cash flow coming in, which is at a lower level, so there's greater competition for a smaller amount of money in many localities, which is making it more difficult for some of the sponsors to get that component of the layered financing in place at the level of funding that they may need to do these preservation deals.

Most importantly for them is the conventional lenders appear to be backing out of the interim financing market. They were doing it for a period of time, a couple of the lenders were doing it, but what they're telling us now is that there is increasing reluctance to do it because of the increasing uncertainty about what the permanent financing is going to be for the projects and the availability of private activity bond allocation.

And on the question of the 501(c)(3) program that we came up with when we asked them, well, how do you see this working now this year, they're saying, well, really what we would like to do is use the four percent tax credits. They are of more immediate value to us in making a preservation deal work than the long term 501(c)(3) financing is. So given a choice, we would rather go for the four percent tax credits.

Which led us into the discussion and the recommendation that came up from all of our conversations about doing the interim financing, which was, could we use a shorter term. Would CHFA provide a shorter term financing vehicle, be it 501(c)(3) or taxable, that would enable them to acquire a property and buy them the time to get the permanent financing in place. And that gets us to the discussion of things like the exit strategies and the risk that we're talking about.

In the memo I go through the first, second and third tier as we, CHFA staff, see the credit risks that the Agency looks at. The first tier of credit, long-term, take out permanent financing. That's what the Agency has been doing since the outset. It is probably the least credit risky form of lending from a credit risk standpoint, although we do have a couple of REO. It's not error-free, let's put it that way, but it is something that can be more easily quantified from a risk standpoint than some others. We do take some risks that the conventional long-term lenders don't. We don't require rent-ups and we will go with lower debt service coverages on our projects because it's consistent with our program purposes.

Second tier construction financing. We did do this in the early days when Section 8 project-based projects were being processed. But with the advent of a number of conventional lenders who are willing and staffed to do conventional construction financing in the market place the Agency has gotten out of that business. It is a staff-intensive activity, there is a credit risk associated with it. And how we have been operating with our take-out commitment has been very satisfactory to the marketplace so we normally don't do construction financing.

The exception is some of the transactions that some of you Board Members have participated in over the past few years has involved a deal where we have funded, in effect, the acquisition day one. We had a rehab plan. It's an acquisition rehab deal where there would have been some construction or rehab activity within a finite period of time. And it was normally somewhere at 6 to 12 months was the period we were looking at and it would roll into a permanent financing. There is risk associated with that. We have had no problems with any of the projects that we did do that way, they have worked. It's a higher level of risk but it certainly is manageable.

The third tier as I've identified in here is what we're contemplating now, which is interim financing. And the difference is in a pure interim financing environment you don't have a guaranteed take out. The issue is you're going to do a financing predicated on short-term interest rates. You're going to do it assuming that somewhere within this period of time we are going to have a permanent financing vehicle in place to then take out the interim financing, stabilize the debt service cost of the project over time. That is lacking in a pure interim financing environment and it's the primary credit risk that a lender takes in doing it. I have this cute little chart here if I can ever get to it.

Let's assume that Project A is going to take $5 million to acquire. CHFA would make an acquisition loan of $4.5 million and there's owner equity or some other source of funds to the tune of a half million to make the $5 million acquisition. Now, we acquire that project today at that on a short-term loan basis. There's no money there for any necessary rehab in the project and there is -- That debt may be able to be serviced by the existing tenant rents or may not. And in this case we're assuming that it starts out in a situation where for the affordability we want in the project this acquisition cost may not be supportable without some kind of subsidy support.

So the exit strategy in this case, and our assumption would be that the permanent loan mortgage we make is going to be at a lower amount to reduce the debt service costs. There will be tax credit equity coming into the transaction and other equity, be it developer, layered financing, wherever the rest of the deal comes from. Because by the time they get done with the rehab and the costs' associated with it it's a $6 million deal.

The risk is you acquire the $5 million project and the exit strategy does not materialize. The project doesn't qualify for PAB, some other source of funds doesn't come into play, you can't make the deal work in the second category. That's the credit risk. Our challenge in doing this, or any lenders challenge in doing interim financing, is evaluating the validity of an exit strategy. How good is the potential of permanent financing coming in place. And if it doesn't, what is it that you the interim, us the interim lender, have to backstop it or what are we going to do about the project.

We have thought long and hard about this, folks. We have had long discussions with the client group and many of them know that I can very easily take the hard lender approach about this particular issue. But bottom line we have come to the conclusion we think that this is a Legitimate area for the Agency to take a calculated risk on, and I stress *calculated*.

And what we're proposing to do about that, what we have on the table here today for you to consider would be the ability for the Agency to entertain projects that would be acquisition financing deals in which they would be existing projects that are at risk of subsidy loss.

At first we were thinking in terms of just restricting it to nonprofits. But if the objective is to capture projects that we want to preserve, and some for-profits might be in the same position as nonprofits, that they want to get the same level of affordability as a nonprofit and therefore they too need to go through the same steps to get other kinds of resources in place. We decided to approach this as a nonprofit, for-profit or public agency eligible borrower.

What we will be looking for is the specifics of the deal. The deal is going to have to meet certain kinds of parameters. We would propose maximum acquisition loan up to 100 percent acquisition costs for nonprofits, at 95 percent for for-profits. That's consistent with our statutory limits. The term of the acquisition financing loan would be a first mortgage, fixed rate up to two years. Five percent for nonprofits, seven percent for for-profits.

And the key is going to be the exit strategy. What is going to be the exit strategy for the transaction. If the exit strategy assumes that this project is going to go for tax-exempt financing for four percent tax credits does the project profile reasonably look like one that would be acceptable and meet the criteria for approval and competition for PAB at whatever point in time we think that it would be going for that. Similar considerations for *any* other kinds of financing assumptions that are in the exit strategy.

And the backup position behind that that would be looking at, evaluating and presenting to the Board is: If the exit strategy failed in that group what does the project look like if we just converted our interim financing into long-term financing and held the project as is. That's essentially how we would propose to come at this and we've got two deals that we can show you how the specifics of all of this flies. So let me pause momentarily. *Any* questions up to this particular point or do you want to take a chomp into the projects?

CHAIRMAN WALLACE: Yes, Julie.

MS. BORNSTEIN: In your consideration of the eligible borrowers, I don't have any problem with nonprofits and public agencies but on the consideration of for-profits in doing the prospective budgets or doing your underwriting is there any sense of limitation on profits? I know that's antithetical to what most people want to do. But I guess the issue I'm concerned about is that in an environment where capital is fairly scarce, and this is special capital that CHFA has to put out here, should it be available generally to for-profits without any consideration of the upper limit of what will end up in the pockets of private individuals?

MR. SCHERMERHORN: Well, yes, we have looked at that issue, that's tricky business.

MS. BORNSTEIN: It is.

MR. SCHERMERHORN: HUD has been very unsuccessful with that over the years.

MS. BORNSTEIN: I'm just raising a question, I don't have any solution.

MR. SCHERMERHORN: I know. The way we look at it. Well, we look at it, we come at it the other way. We look at, is the financing that we can do, the project that we can acquire and finance of sufficient affordability to meet our program objectives. And then, does the cash flow to the project show a reasonable return, whether it's a nonprofit or a for-profit, because the nonprofit has got to eat too.

MS. BORNSTEIN: Right.

MR. SCHERMERHORN: Is there a reasonable return that is coming out of the project? Not excessive. Because if it's excessive then one of our options is to reduce the amount of debt that we would put into the project and require more equity at that point. So it can be looked at -- Rather than looking at it from the arbitrary distribution cap basis we tend to look at it from, what does the project support and what is our regulatory agreement going to constraint. It's kind of like the other issue.

Is Section 8 available? Then you will apply and you will accept. Are the affordability levels in the project going to throw off X cash flow, are we comfortable that we'll meet the project and provide a reasonable return, and provide us the affordability we want in the project?

MS. BORNSTEIN: That sounds like a reasonable way to approach it. Thank you.

CHAIRMAN WALLACE: Any other questions?

MR. SCHERMERHORN: Yes, Jeanne does.

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: Speaking of affordability. What are the affordability parameters that are proposed in this program?

MR. SCHERMERHORN: Well, we thought about that, that's tricky too. What we're trying to do is capture existing Section 8. The reality is there is going to be a sales price on the project. So what we are going to be looking at is how can we constrain the affordability on the project and balance it against what the debt requirements on the project are going to be. So we're starting and saying -- First we've got to be careful about the Article 34 issue. We don't want to go marching in. Unlike you folks we can't do

100 percent requirement without triggering an Article 34 issue.

We're saying, if we've got -- Our first litmus test is, is the project at risk, subsidy support. So what's the level of affordability in it? The likelihood is they are going to be 100 percenters or very close to existing 100 percent. Our intent would be to bring a proposed regulatory agreement and affordability commitment that minimally maintains that.

And like the deals we were doing earlier, if a transition plan has to occur the transition plan would take the project to an affordability level of no more than 50 and 60 percent. But we can't guarantee a subsidy to the project. We're going to be reliant upon a third party subsidy in these transactions. So we're going to have to evaluate those on a by-project basis as to what's in them and what is going to stay in them for what period of time.

MS. PETERSON: Hmm.

MR. SCHERMERHORN: I realize that's a very --

MS. PETERSON: H I ~ .

MR. SCHERMERHORN: Yes. Unfortunately, it's not a nice neat number. But like I say, when you start looking at the projects they become kind of self-evident as to, is this 3ood affordability or is this not good affordability.

MS. PETERSON: Well, and I assume to the extent that they do use tax exempt financing and that there are going to be incentives for achieving greater affordability in order to get the private activity bond cap, that that may assist in that.

I'm also wondering, since you mentioned it, if you could just tell us really briefly, if there is a brief answer, to how we would be defining at risk of subsidy loss. Both the words at *risk,* if that has a time parameter on it, which as we talked about a little earlier in a different context, and also subsidy *loss.* And by that I mean, are we only talking about federally-assisted?

MR. SCHERMERHORN: No, I'm talking about any subsidy loss. There may be a project with locality subsidy it's going to lose.

MS. PETERSON: Right.

MR. SCHEFLMERHORN: That is included in this definition.

MS. PETERSON: And is that at any time in the foreseeable future or --

MR. SCHERMERHORN: That is my proposal, not to put a time constraint. I appreciate that others have, but for the purposes -- If we could finance a transaction that was not dependant upon a third party requirement someplace, and I can get it and it's going to go eight years out there still and then it may lose, I would like to get that project.

MS. PARKER: Let me just add one comment. Unfortunately, Mr. Klein is not here, but it seems to me that that's an issue that Mr. Klein has raised.

MR. SCHERMERHORN: Yes.

MS. PARKER: From the standpoint of, I think, one of our discussions. Since *you* haven't always been here I'm trying to provide some continuity.

MS. PETERSON: Thank you.

MS. PARKER: I think we had a discussion at one of our Board Meetings about whether or not we should be looking at, even if it was, you know, eight or ten years. So we're sort of following -- I'm raising that because that is what staff have essentially heard from Board Members.

MS. PETERSON: I would echo an interest in continuing to have that conversation.

MR. SCHERMERHORN: Okay. Any other questions at this point?

CHAIRMAN WALLACE: So you want to look at a couple of real deals?

MR. SCHERMERHORN: Let's take a look at the transactions. You can see some real deal explanations of what it is that we're talking about here.

<u>RESOLUTION 99-35</u>

The first project is a final commitment request for two loans funding acquisition and take-out financing of

Rowland Heights Apartments. The first mortgage would be an acquisition at $7,100,000 and change; the permanent would be $6,980,000. Interest rate for acquisition, 7 percent, the permanent loan would be at 6.2. We're looking at an acquisition period of one year and then rolling into a permanent. The acquisition would be a taxable financing going to a tax exempt.

Essentially this structure is one that assumes we take it down with taxable financing now, get the project ready and positioned to go for PAB. And we think that the project looks like one that would be reasonably approvable in that process. For a look at the --

(Interaction between Messrs. Schermerhorn and Warren regarding computer cord.)

MS. PARKER: Dick, while Linn is doing that. There was a resolution attached to this handout. Is that something the Board needs to vote on?

MR. SCHERMERHORN: We're not at the --

CHAIRMAN WALLACE: Not yet.

MR. SCHERMERHORN: We're not at the decision point.

MS. PARKER: Okay, that's fine.

CHAIRMAN WALLACE: I want to go through the projects so you can get a flavor of what we're trying to do before we commit.

MS. PETERSON: That's fine. I just wanted to make sure whether or not that was something we needed to do and when was appropriate to do that.

CHAIRMAN WALLACE: We're going to do that, Terri, after we kind of get a sense of these two projects and it fit the prior discussion and whether we indeed want to go into this arena or not. But all the Board Members have been passed out the resolution, 99-37, I think.

MR. SCHERMERHORN: Yes, hold that one, right.

CHAIRMAN WALLACE: Yes, that's on standby.

(Video presentation of project begins.)

MR. WARREN: Okay. The first project that we have to discuss is Rowland Heights in Los Angeles County. Rowland is a 144-unit project that was constructed in 1974. The project characteristics are it's primarily a townhouse construction with a lot of large open spaces. This interior area that you see in front of you, the sponsors are discussing the possibility of installing a pool or other recreational facilities to upgrade the project itself.

There is covered parking. The project is located directly adjacent to a school, which you can see in the background. The rehab requirements will include resurfacing of all the parking areas. As with similar projects, today we have siding problems. These need to be replaced and taken down. What has come out of our physical needs assessment is there is a seismic problem in that the structure is not bolted to the foundation. So that will have to be bolted or strapped to meet our seismic requirements and that will be something that we will be adding to the work. This is the front entryway. Again you have mature landscaping, which is indicative of a project this age. This is the view facing on Batson Avenue, which is a fairly busy area. Take a look at Batson right here.

The market around Rowland is interesting in that there is a very strong market demand, which we will show you on the rent graph in just a moment. But around this project are primarily other multifamily projects, although they are market rate. There is no other assisted project in the near vicinity. The market studies indicate there is no new building going on per se, because of, basically, the built-out nature. So projects are being purchased, rehabbed and developed accordingly so this falls into that category.

Much of the rehab will be directed towards the units themselves. As with other requirements, new appliances, new counter-tops, painting, new vinyl, new carpeting is appropriate to upgrade the project itself. The exteriors have suffered from a fair amount of deferred naintenance. This is an example of the patio fencing. This will all be replaced, it's either rotted out or pretty beat up from maintenance over a period so this will be a requirement as well. The project is security gated. There were two access points, this is one of them off Batson. The residents have, basically, card key or regular access to the project through there.

What I would like to talk about for a few minutes is this financing structure is a little bit different than what Dick alluded to in the acquisition. There is a large acquisition piece but there's a sandwich piece in here that has to do with a private lender so I want to take a moment and take everyone through this. As we have with Dick's earlier example, there will be a CHFA acquisition loan. That will include the 236, which I'll mention in a minute. But the primary acquisition vehicle. On top of that, in order to make the acquisition work, is there will be basically borrower equity to help with acquisition costs.

Sometime early next year, after PAB is awarded, it's contemplated that a private lender, probably Bank of America, will come in with monies to basically take out the CHFA acquisition loan, sometime probably spring or the middle of next year. The construction period lasts for about a year, perhaps a year and a half. And at the end of that period of time when the construction is complete we go into our normal take-out scenario, as we normally do, in which we will retire the construction debt.

Layered on top of all this is the normal tax credit equity. And as the block indicates, a portion of that will come in as it normally does during the construction period. So that, in effect, replaces some of the private equity. On the Rowland and Plum Tree deals there is deferred developer equity on both situations.

The final piece that exists on the Rowland deal but not on the Plum Tree deal is the HUD IRP. Our monies will be used to purchase this at the beginning of the project. We'll maintain this throughout the life of the project as the regulator. So as you can see it's somewhat uncoupled from the project cash flow because of the IRP stream but it is a debt and a loan that the Agency will administer. So we do have a bit of a variation here in that we do have a three level system where we are being taken out by an interim construction lender, who in turn takes us out at the beginning of the project. Dick.

MR. SCHERMERHORN: That's it?

MR. WARREN: Yes.

MR. SCHERMERHORN: Okay, don't run away with that yet.

MR. WARREN: I'm going to do rents real quick.

MR. SCHERMERHORN: Yes, go ahead.

MR. WARREN: Let me cover rents real quick.

MR. SCHERMERHORN: Go ahead.

MR. WARREN: As I mentioned, the rent pressures in Rowland Heights are fairly strong. As you can see again, we look at our 50 and 60 percent rents in comparison to market. With the limited amount of supply and the large, really strong employment in this part of Los Angeles we do have a nice rent differential between the tax credit and bond rents and the regular market rents so we do have a nice spread there.

The Section 8, this does not have project-based Section 8. What the owners have the ability to do upon the payment of the 236 loan, is basically apply the vouchers. And the vouchers can be given at approximately the market rate level. Our debt has not been underwritten to that level but we include this for illustrative purposes that tenants will be able to achieve this. We kind of mitigate the transition or out-migration.

We have a transition fund on this project, as we have the others, to help, just in case the Section 8 does stop and there has to be some degree of turnover. But we are underwriting the deal to the 50 and 60 percent rents. So as I indicated, the market is fairly strong in this part of Los Angeles and we have a nice differential.

MR. SCHERMERHORN: Okay. Acquisition financing. What these structures are contemplating — and forget for the moment the IRP loan portion of it underneath, it's the top blocks that we're concerned with. The difference in this from a couple of the transactions that we did in the past is where we funded the acquisition and we saw to the rehab, in effect we were overseeing the rehab going through that process, and the permanent loan we had in place up front.

This differs from that in that the permanent loan piece is assuming that the project qualifies for PAB, private activity bond allocation. So that's the exit strategy but it's not in hand today. We would have to get the project approved that way. But the opportunity to acquire the project is today and it will -- And one of the reasons the construction lender is at that point in time, a third party construction lender, they too are looking at the viability of the takeout financing occurring at that point in time.

They are going to be far more comfortable about proceeding and getting everything done with the Agency in place with a permanent financing commitment that still has to go and get private activity bond to acquire the tax credit equity. However, it is conceivable that this deal still can be handled going downstream from a financing standpoint if for some reason the project didn't qualify for tax credit equity, but it's unlikely at this point based on our look-see. And that's the case with both of these projects. They are preservation projects, they are high priority projects from a competitive standpoint.

So the exit strategy in these transactions are, from our standpoint, a very acceptable credit risk from the

Agency's standpoint. That is in these deals the real deal version of what it was I was talking about. Different deals are going to have some different kinds of exit strategies with them, different time frames and different players. But the issue will be how real, how practical is the proposed exit strategy if we go ahead and provide financing to acquire that project right now for up to a two year period of interim financing.

On this particular project, just to finish off some of the specifics: The borrower in this case would be a limited partnership to be formed. Jamboree Housing Corporation, a nonprofit that has experience in acquisition and rehabbing of projects in Southern California. The management agent in this case would John Stewart Company, also an entity that we have prior and positive experience with. Be glad to entertain any questions specifically about this project and then we can go on and do the specifics of the other project if you would like.

CHAIRMAN WALLACE: There's got to be some questions.

MR. HOBBS: Mr. Chairman. If I'm reading this correctly, our loan, there's already a construction commitment in place with B of A, if I read the staff report correctly. That covers our loan, subject to qualifications for tax credits, etcetera?

CHAIRMAN WALLACE: Page 907, paragraph C.

MR. WARREN: Yes. There is a preliminary commitment from the construction lender.

CHAIRMAN WALLACE: B of A has issued a construction loan commitment letter for $7.8 million for nine months.

MR. SCHERMERHORN: Yes, but it's qualified.

MR. WARREN: It is qualified.

MR. HOBBS: Qualified, right.

MR. WARREN: On the acquisition financing and on the permanent financing from the Agency. For the commitment for the permanent financing from the Agency.

CHAIRMAN WALLACE: What is that going toward, both the acquisition and the rehab? When you say *construction financing* up there.

MR. WARREN: Yes, yes it is.

CHAIRMAN WALLACE: That's what it's for.

MR. WARREN: Yes. It will take out -- It will not retire the IRP loan which we will do.

CHAIRMAN WALLACE: Right.

MR. WARREN: But it will retire the monies we put up which run toward the acquisition and for the construction.

MR. SCHERMERHORN: Yes, this is a funny one. We're in, we're out and we're in.

CHAIRMAN WALLACE: Correct.

MR. SCHERMERHORN: And then we're in underneath all of it on the IRP but that's a stand-alone. But that is a different -- This is the first time we've done this.

CHAIRMAN WALLACE: When does the IRP kick in? When do we pay for that?

MR. WARREN: At the acquisition.

MR. SCHERMERHORN: At acquisition, right up front.

CHAIRMAN WALLACE: Okay. Julie, you had a question. Are you through, Ken?

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

MS. BORNSTEIN: Actually, Mr. Chair, it's a follow-up to the question. You phrased my first question, now I have follow-ups on that if you don't mind. The chart implies that the construction loan is the same size as ours but it's apparently about $700,000 more. Is that sufficient to cover the rehab or are there rehab funds that are going to show up from some other source that's not on our chart?

MR. WARREN: No, the construction loan should be sufficient to handle it. This is really for illustrative purposes.

MS. BORNSTEIN: Okay

MR. WARREN: The construction loan is larger.

MS. BORNSTEIN: It is larger 'but --

MR. SCHERMERHORN: It's not dollar accurate.

MR. WARREN: This is not dollar accurate.

MS. BORNSTEIN: From the narrative it's about

$700,000 greater than the CHFA acquisition loan. Is that about right?

MR. WARREN: Yes.

MR. SCHERMERHORN: Yes.

MR. WARREN: Because it does incorporate the need for the construction financing as well as the acquisition.

MS. BORNSTEIN: And that is sufficient then to cover all the planned construction?

MR. WARREN: Yes.

MS. BORNSTEIN: Okay, thank you:

CHAIRMAN WALLACE: Who else? Board? Audience?

MS. HAWKINS: So are we going to discuss the second one?

CHAIRMAN WALLACE: Well, let me tell you.

MR. SCHERMERHORN: What would you like to do?

CHAIRMAN WALLACE: Well, I'd like to discuss the second one next and then I want to come back. And before we commit to either project I want to make sure that you agree with, actually, Resolution 99-37 that's out of order. Because there is no use in going ahead with projects if we don't agree with the base concept.

MR. SCHERMERHORN: Well, I would suggest, if I may, that these particular transactions, even if we didn't have the acquisition financing program here --

CHAIRMAN WALLACE: Could stand alone.

MR. SCHERMERHORN: I would have brought them anyway.

CHAIRMAN WALLACE: Okay.

MR. SCHERMERHORN: They could be. I would ask the Board to consider them separately. They are conservatively illustrative of the acquisition financing approach.

CHAIRMAN WALLACE: Because on the surface so far they sound fairly consistent with what we have been doing in the past, Dick.

MR. SCHERMERHORN: Yes, they are not a stretch from what we have been doing, I'll grant you that.

CHAIRMAN WALLACE: And you said, conservatively underwritten, and I think that's true. So you're telling me, then, that if and when we pay the base resolution, 99-37, that we can expect some more exotic --

MR. SCHERMERHORN: Challenging. Let's talk in tenns of *challenging* projects. Quite possibly.

CHAIRMAN WALLACE: It's pretty hard to see, I'm being presumptive, but to see that these are that radical, these two projects.

MR. SCHERMERHORN: No, they're not.

CHAIRMAN WALLACE: But from your original discussion, I can see some radicalism creeping in.

MR. SCHERMERHORN: This was a circumstance. We did not -- These projects showed up at the same time we were contemplating and in dialogue with the Board and with our client groups about the acquisition financing program. And it was just circumstance that we had these two deals come to us at the same time we were looking over here. We finally said, okay, these two we would take anyway because we think that they are worthwhile to do, they are definitely within our credit risk parameters. But they are also illustrative of the stepping-off point for what acquisition financing could mean to us. And yes, we could get broached with some rather challenging ideas about that.

CHAIRMAN WALLACE: Your exit strategy is us here, basically.

MR. SCHERMERHORN: No, not necessarily. It's possible that there may be another takeout, for instance, where the deal may be downstream Fannie Mae, MBS. There may be some other permanent financing.

CHAIRMAN WALLACE: But your ultimate exit strategy in this case is us, right?

MR. SCHERMERHORN: Oh, as an interim financier?

CHAIRMAN WALLACE: Yes.

MR. SCHERMERHORN: It always is.

CHAIRMAN WALLACE: Yes.

MR. SCHERMERHORN: And so at the front end when you're looking at these things you have to say, worst case scenario, none of this happens --

CHAIRMAN WALLACE: We buy it.

MR. SCHERMERHORN: We buy it. Is it something we want to buy and could we reasonably — all things being equal — reasonably swallow it and make it work.

CHAIRMAN WALLACE: Yes.

MS. PARKER: I think the staff, when we talked about this, Even if we don't end up being the long term financier, to the extent that we do the interim, we may have essentially provided the opportunity for this project.

CHAIRMAN WALLACE: I accept that. But when I think of exit strategies, there are worst case scenarios that are a hell of a lot worse than this.

MR. HOBBS: Does that mean that this is conservative, Mr. Chairman?

CHAIRMAN WALLACE: I mean, for all the potential doom and gloom, market downturn and we're in an interim loan position. That's why conventional lenders don't do this stuff. We are it. And these don't look that onerous. Yes, we have levered ourselves into preservation and it's something that we'd probably do in the normal course of events the way I'm looking at these two. But when I think of nore --

MR. SCHERMERHORN: It could get more interesting, yes.

CHAIRMAN WALLACE: Okay. Well, in that case let's proceed.

MR. SCHERMERHORN: Take a look at Plum Tree?

CHAIRMAN WALLACE: Yes. If we're not committing ourselves to the overall acquisition preservation, which is embodied in Resolution 99-37.

MR. SCHERMERHORN: No, but --

CHAIRMAN WALLACE: I will take that last, with the realization these two projects are adult education to maybe help us get there.

MR. SCHERMERHORN: Okay.

CHAIRMAN WALLACE: But my sense is, these are kind of vanilla deals in a way. Well, we can discuss that when we get to the ultimate resolution.

MR. SCHERMERHORN: Okay. If you want to set the program aside, which we have at this point in time.

CHAIRMAN WALLACE: Correct.

MR. SCHERMERHORN: And if you feel that you would like to deal with the project on the merits of the project right at this point in time we could go ahead and do that. Then we'll do the next project with no inference that this is approval of an acquisition financing program.

CHAIRMAN WALLACE: That's my inclination under the latest discussion. What is the pleasure of the Board? Do you want to consider this on its merits at this time, then the next one, and then --

MS. HAWKINS: I would like --

CHAIRMAN WALLACE: -- come back to the program question.

MS. HAWKINS: Right.

CHAIRMAN WALLACE: Is that okay?

MS. HAWKINS: I would, yes.

CHAIRMAN WALLACE: Okay. Are there questions, then, on the Rowland Heights project? How do you feel about it? Board, you have had a shot at it.

MR. HOBBS: I'll move approval, Mr. Chairman, if you're looking for a motion.

CHAIRMAN WALLACE: Okay.

MS. HAWKINS: I will second it.

CHAIRMAN WALLACE: There's a motion, Hobbs and Hawkins again. Any further question on the motion from the Board? From the developer? From anybody in the audience?

MS. HAWKINS: I would just like to make a comment.

CHAIRMAN WALLACE: Yes, Carrie.

MS. HAWKINS: I'm very familiar with this area and I just didn't want to comment on it until I got a sense of what everyone was thinking. But this is definitely, if we're going to do our first one this is a very good area and a very good project. I have interest in that area, know this area very well. It's in my backyard so I'm familiar with it. This is a good one.

CHAIRMAN WALLACE: And you're comfortable with the presentation and the fact this is a reasonable deal or you wouldn't have seconded the motion, I take it.

MS. HAWKINS: Absolutely.

CHAIRMAN WALLACE: Okay. Any further discussion on the motion to approve the Rowland Heights deal? Hearing none, secretary call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-35 has been approved.

CHAIRMAN WALLACE: 99-35 is booked.

RESOLUTION 99-36

So now let's go on to the next project.

MR. SCHERMERHORN: All right, Mr. Chairman. Plum Tree West Apartments is located in Gilroy in Santa Clara County. This is a final commitment request for two loans funding the acquisition and permanent financing of this project, which is a 70-unit senior project. The structure of this is essentially the same as the structure of the preceding one. The numbers are a little bit different, obviously. The acquisition first mortgage amount here would be $4,950,000 at 7 percent interest rate, interest only; a taxable financing rolling into a permanent first mortgage of $5,650,000 at 6.2 percent, 30-year fixed, tax exempt with a standby operating commitment of $535,000. And a look-see at the project.

(Video presentation of project begins.)

MR. WARREN: Plum Tree is in Gilroy. It was built in 1978 and consists of -- It's a senior project, as Dick may nave mentioned, and consists of 69 one-bedroom units. This is the entryway off Montebello Drive. This will all be reconfigured to make it a little more appealing and the entryway will also be made handicapped accessible. It is an elevator, there are two-story elevators involved. There's actually quite nice covered parking. The pavement here will be resurfaced throughout the project as well.

The neighborhood that is around Plum Tree is essentially single-family residential. There are some multifamily in the area but it's primarily a home ownership area. The neighborhood here is similar to the age of the complex, 25 to 30 years old. Well-maintained homes. A very stable environment.

This is the rear of the building with a large sitting area, grassy area. There will be a strong emphasis on new landscaping for this to try to enhance this open area. The rehab itself on the project -- Sorry. This is the lobby area. There is a meeting room for seniors. There is, basically, a recreational area within this so it does lend kind of a nice common area for the project.

Getting into the markets for Gilroy. *As you* can see, we have a situation here where the Section 8 is continuing until next year and the owners will be seeking renewals. In this particular case Section 8 is in *excess* of what we have determined to be equivalent market rate.

Gilroy is kind of a funny market from the standpoint that it's beginning to feel a lot of the pressures from Santa Clara and San Jose and not all the rent comparables have caught up with that. So the rents are, as you can see here, fairly close to the 60 and SO percent rents, but our expectation is there's going to be more pressure on the San Jose area. There are very few senior-specific projects in Gilroy itself and that only lends to the demand for this type of project, particularly after rehab.

So the rent demands that are being generated in the southern part of the Bay Area are beginning to impact Gilroy as well. So because it's senior our expectation is, even if Section 8 did stop, HUD's desire to maintain vouchers for seniors would probably mitigate any problem in that area. So with that, we think this would probably work quite well over the long term.

(Video presentation of project ends.)

MR. SCHERMERHORN: The borrower profile in this is the same, it's the same players as the preceding project on this. Although the rent scenario is not as dramatic at this point as in some of the other cases that we have had so far, as Linn points out, one of the things we looked at in conjunction with this project is, one, it is a seniors. They are less likely to be moving, this is a more stabilized tenancy base that we're working with, and Gilroy is a market that in the not-to-distant future is going to be more substantially impacted from the rent demand than they are currently experiencing.

We agree with the sponsor, it's a good time to go in and co-opt this for longer term affordability. We're recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: Questions? Pretty good LTV. Right up there, higher than some that we were looking at.

MR. HOBBS: Mr. Chairman, a construction question.

Does the rehab include elevators? These are seniors, two-story. I think I read somewhere in the staff report that they were all stairs.

MR. WARREN: I believe there are elevators, I believe they are in good shape.

MR. HOBBS: Okay.

MR. WARREN: I don't think there was anything contemplated for repair so my understanding is they are acceptable.

CHAIRMAN WALLACE: Any further questions or comments from the Board or the audience?

MS. HAWKINS: I would just like to ask. As we look at these senior projects I like to kind of follow-up on what Julie's question was earlier as far as the services and transportation. Do we look at that all the time? Because for them to really have quality of life and be sustainable we need to look at those aspects for seniors.

MR. WARREN: In this project we have required a service plan from the nonprofit. We made it very clear in our concept meeting that on this one, as well as other senior projects, that we take that fairly seriously. So a component of approval for the final commitment will be their service plan for the seniors. And that will be something we will be requiring.

MS. HAWKINS: Thank you.

MS. PETERSON: Just as a follow-up to that. It may be necessary, in order to get private activity bond cap, to have such items included, particularly depending on whether or not --

MR. SCHERMERHORN: Yes. We read that.

MS. PETERSON: -- projects qualify as at-risk projects. Because if they don't, of course, they're going to be at a disadvantage --

MR. SCHERMERHORN: Right.

MS. PETERSON: -- in the proposed point structure of CDLAC.

CHAIRMAN WALLACE: Okay. Seeing and hearing no further questions does any Board Member want to entertain a motion? Hearing none the project dies.

MR. HOBBS: I will move, Mr. Chairman. I've been quiet this meeting so I better.

CHAIRMAN WALLACE: Yes, but you have made most of the motions. So you'll do this? You move approval?

MR. HOBBS: Yes, I will.

MS. HAWKINS: Then I will have to second it.

MR. HOBBS: Thank you, Madam Vice Chair.

CHAIRMAN WALLACE: We've got that --

MR. HOBBS: Dynamic duo.

CHAIRMAN WALLACE: -- dynamic duo at work again.

MR. HOBBS: I'm following my leader over here.

CHAIRMAN WALLACE: Hobbs and Hawkins again.

MR. HOBBS: And again, Mr. Chairman, something that staff said earlier. This is not radically different than what we would have seen four or five years ago, some of the local Agency deals that we were working on. So I think, also as you said, Mr. Chairman, that this is vanilla, but a very, very good start in terms of our preservation.

CHAIRMAN WALLACE: Realizing that's not a commitment to the program.

MR. HOBBS: Correct.

CHAIRMAN WALLACE: It's a good deal.

MR. HOBBS: Yes, sir.

CHAIRMAN WALLACE: Okay. Carrie.

MS. HAWKINS: Thanks for breaking us in gently.

MR. SCHERMERHORN: You're welcome.

MR. HOBBS: I suspect that will change, however. You have that look.

CHAIRMAN WALLACE: Okay. Hearing no questions, Board or audience, on the motion, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-36 has been approved.

CHAIRMAN WALLACE: 99-36 is approved. So if I'm on track, I sense we go back to Item 6 now.

MR. SCHERMERHORN: Correct.

CHAIRMAN WALLACE: Any further edification in view of where we have been, Dick, from you or Terri?

MR. SCHERMERHORN: Well, I think the one point I may not have expressed. Obviously we're recommending that the Board approve our utilization of an acquisition financing approach for the foreseeable future. What I didn't mention was is we would initially put this program in the Business Plan category of our $20 million 501(c) (3) program, since all indications are it's not going to get used for the purpose that we planned on it in May and we already have resources dedicated to support that particular activity.

So it would be logical and it gives us a maximum amount to be considering in terms of proposals coming in. If for some reason this starts heating up then we can come back to the Board and raise the issue of how far we want to go. But if you're so inclined we would suggest that we use the $20 million bogey as a starting point for this particular program and then go from there.

Other than that, we thought long and hard and had extensive dialogue with folks on the street. We recognizethe potential risks of this and we would want to have very thoughtful and thorough discussions on deals that probably may be a tad more challenging than what we have seen so far. But we think it is worthwhile for the Agency to take a crack at it and would appreciate consideration.

CHAIRMAN WALLACE: You're recommending approval of the program.

MR. SCHERMERHORN: Yes, sir.

CHAIRMAN WALLACE: An amendment, in effect, to the 3usiness Plan for the balance of this year.

MR. SCHERMERHORN: That is correct.

CHAIRMAN WALLACE: Terri, I'd like your thoughts on it.

MS. PARKER: Mr. Chairman, just echoing, really, what Dick has said. I think what we talked about with the 3oard when we had the Business Plan adopted in the May neeting is that we were going to have it be a dynamic iocument. That we were going to continue to work on it, continue to monitor what we are doing with the Business Plan throughout the year. We have been doing this on a monthly basis from the staff standpoint to make sure where we are on our single family production, where we are on our multifamily production. So that when we, essentially, finish at the end of the year, hoping to have delivered what the Board of Directors has asked of us to do from the standpoint of furthering the improvement of housing.

So in that sense, if there were new opportunities that we could design, and that we saw that there are resources within the Business Plan that may or may not get utilized. In that sense more creative ways that we could be Sealing with them. This is what we have been trying to do, essentially. To follow through with what we had assentially talked to the Board about doing when we asked you to approve the Business Plan in May. So I think this is, again, just us trying to be aggressive, be as aggressive as we possibly can, but also not be stepping back. Not waiting until next year and say, it didn't work.

CHAIRMAN WALLACE: Kind of like we had to do last tear. We don't want to repeat that scenario two years in a row. Understandable. Judy.

MS. NEVIS: Yes, I have a comment. I like this a lot. And it's not just because it means that it won't necessarily just be HCD that has some of the more exciting deals, but I think it's really important to be able to get out there and do the acquisition. Because the deals, the preservation, it's not happening. It needs to happen, so I think this is a good approach.

And I think then tying it -- I think Dick over there is being a little prophetic. Yes, this is great but how much of this will we do. But if you tie it to the $20 million that's kind of been set aside in this initial phase that should give us plenty of comfort with regard to, are we overextended. So I just think this is a good approach.

CHAIRMAN WALLACE: $20 million was not an excessive commitment relative to our capability.

MS. NEVIS: Right.

CHAIRMAN WALLACE: And we were seeking ways, and I applaud the staff, Dick. You, Terri and everybody who worked on it, in trying to find where our niche is.

MS. PARKER: Mr. Chairman, let me just -- It's a $20 million commitment of a five year business plan so it was a $100 million commitment.

CHAIRMAN WALLACE: But relatively speaking that's not big money within our Business Plan.

MS. PARKER: Right.

CHAIRMAN WALLACE: And we were trying to enter into the arena where there's a clearly perceived need but the market wasn't there in our forays in other directions. We've gone to focus groups and you have come back and said, interim financing could help the deal. We have seen two projects that to me, again, are pretty vanilla. This is a pit for a lot of lenders, interim financing, without a -- I know as a developer it's hard to find. You go to the private investment community as often as not to find this sort of thing and you give away half or more of your project to do so, which is a big number.

Having said all that, we're a lender and we need to be pretty sure of what we're doing. Notwithstanding these vanilla deals, I would sense that there are some deals out there that you'll be approached on or seek that will not be vanilla and that's when the real test will come for us. Because you do need, as a lender, a rational exit strategy. These were pretty easy. On the other hand, yes, this may be our niche. So I'm all for going forward and seeing that the proof is in the pudding.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: Yes. I think th s is one of more exciting things that I've seen us be able to participate in because I think this is one of the big obstacles. If you can't acquire it you're not going to preserve it. So therefore I'm ready to move on Resolution 99-37.

CHAIRMAN WALLACE: And somebody other than Hobbs want to second that?

MS. NEVIS: I would second it.

CHAIRMAN WALLACE: I just don't want him all over the minutes for posterity.

MS. NEVIS: Yes, I would like to second it.

CHAIRMAN WALLACE: I want to line somebody -- Hobbs was, you know, the last of the ninth, big home run. The Natural. Weren't you the guy?

MR. HOBBS: But he died.

CHAIRMAN WALLACE: Well, you lost a lot of weight. You want to second the motion?

MS. NEVIS: Yes.

CHAIRMAN WALLACE: And do you want to speak to the motion?

MS. NEVIS: Yes, I would second it. As I said, I think it's a great approach. I think we'll see some deals done this way.

CHAIRMAN WALLACE: Any further discussion on the motion? Jeanne?

MS. PETERSON: I would just like to say that as staff, and probably the rest of the Board Members know, even better than I since you all have been here, the Treasurer's Office has been very interested in what CHFA could do to assist in the preservation of affordable housing. So I'd like to commend the staff for actually holding focus groups, talking to people, trying to figure out what the niche of CHFA really should be. And to say that, I'm sure, from the Treasurer's Office perspective, that this is yet another tool in the proverbial tool box and that that's a great thing. Undoubtedly we'll look forward as time goes on and as circumstances change to keeping our minds open to looking for even more tools to add to the tool box.

And I just, in addition to supporting the resolution and commending staff, I just had one short question, which is: Do the deals that we just approved, the sort of $12 million, those two, are those going to count towards the $20 million? How is our record keeping going to look on that?

MR. SCHERMERHORN: I'm going to treat those, given where we were today, since they could have been done on a stand-alone basis, as not in the $20 million pot.

MS. NEVIS: Good.

MS. PETERSON: Good.

MR. SCHERMERHORN: So we're starting fresh.

MS. PETERSON: Good.

CHAIRMAN WALLACE: Okay, thank you. *Any* further comments or questions from the Board or the audience on Resolution 99-37? Let's have the secretary call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?
MS. BORNSTEIN: Aye.
MS. OJIMA: Ms. Easton?
MS. EASTON: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Hobbs?
MR. HOBBS: Aye.
MS. OJIMA: Ms. Nevis?
MS. NEVIS: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: Resolution 99-37 has been approved.
CHAIRMAN WALLACE: 99-37 has been approved. Well done. I'll call to your attention, before moving to Item 8, Ken and Di have reports. Ken has got a couple of reports on the single family bond sale and an update on variable rate bonds. Ken, anything you need to elaborate?
MR. CARLSON: I don't need to prolong your meeting. If you have any questions I'm always available, I'm certainly available now.
CHAIRMAN WALLACE: And remember, he's an award winner so it's worth talking to him. He does a great job. And Di, it looks like our Bill got approved that we sponsored and there's a number of other pertinent bills you're

referring to. Some of which are pending, some of which -- One or two were vetoed that we had some interest in and a number of which were signed. Any elaboration?

MS. RICHARDSON (SPEAKING FROM THE AUDIENCE): Aside from the correction that Terri pointed out at the beginning of the meeting, unless anyone has any questions. Certainly, if you have other veto messages that you're looking for and having trouble finding, let me know, I can track them down for you.

CHAIRMAN WALLACE: This is Di Richardson, for the record, who does our legislative advocacy. Any questions of Di or Ken?

<u>OTHER BOARD MATTERS</u>

Hearing none, Item 8 on the agenda is other unscheduled Board items. Anybody on the Board have any questions or items that should be brought to our attention? Not for action but for consideration at some future date.

<u>PUBLIC TESTIMONY</u>

Hearing none, any member of the public, Item 9, that has any items that should come to our attention that were otherwise not on the agenda. I see here none.

MS. PARKER: Clark, can I just say one thing before we close?

CHAIRMAN WALLACE: Yes, Terri.

MS. PARKER: Clark, just before we close.

Mr. Chairman, since our next Board Meeting is on the 20th, as we talked sort of through this along today's meeting. It will be a meeting that we plan to bring back projects to you for your consideration, but also to be using that as a discussion standpoint for our business planning process. So we will be setting aside some time that we can be getting your input and direction. Further discussions of ideas, potential products that we may be thinking about. An environment for Business Plan for the May meeting. So just to have you all be thinking about that.

If I, having regressed to my days of being a budget analyst, if I added up today's actions it was almost $100 million. Is that a record for us, Dick?

MR. SCHERMERHORN: Yes, I think it is. I think in gross volume for one single Board Meeting.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Well, wait a minute, are you counting the $71 million?

MS. PETERSON: That doesn't include the 74.

MS. PARKER: No, no. It did include that, but I'm just essentially saying that we talked about.

MR. SCHERMERHORN: No, you can't count that.

MS. PARKER: Well, okay, all right.

CHAIRMAN WALLACE: I think that's a little premature. But still we had a $30 million day, not all bad.

MS. PARKER: That's clear. A $30 million day.

MR. SCHERMERHORN: We should have a $30 million day six times a year. We'd double our --

MS. PARKER: I'm not sure that we've had many Board Meetings that have been $30 million.

MR. SCHERMERHORN: No. I think we had one that cracked that.

MS. NEVIS: And better still, actually, there were a lot of units. There were a lot of units.

MS. PARKER: A lot of units.

CHAIRMAN WALLACE: That's our mission.

MS. PARKER: We also will have the Annual Report hot off the press within the next week to ten days. We will be sending it to all of you. The Board pictures came out very nicely. You can look through it at your leisure.

CHAIRMAN WALLACE: Well, that makes it a $100 nillion day. The next meeting January 20th here at the Clarion. We are adjourned, thank you all very much.

(Thereupon the meeting was adjourned at 12:44 p.m.)

--oOo--

* * * * * * * * * *

* * * * * * * * * *

* * * * * * * * * *

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 133, and which recording was duly recorded at Millbrae, California, in the matter of the Public Meeting of the Board of Directors of the California Housing Finance Agency on the 4th day of November, 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 30th day of November, 1999, at Sacramento County, California.

Ramona Cota, Official Transcriber

--000--

THIS PAGE
INTENTIONALLY
LEFT BLANK

Executive Summary

Date: 3-Jan-00

Project Profile:

Project :	Santa Ana Towers	*Borrower:*	Thomas Safran & Assoc.
Location:	401 W. First Street	*GP:*	TBD
City:	Santa Ana	*LP:*	TBD
County:	Orange	*Program:*	Tax Exempt
Type:	Senior	*CHFA # :*	99-030-S

Financing Summary:

	Acq.	Final	Per Unit
CHFA Loan	$11,400,000	$10,500,000	$52,500
Other Loans		$0	$0
Operational Income		$319,930	$1,600
Borrower Contribution	$601,400	$0	$0
Deferred Developer Fee		$167,256	$836
Tax Credits		$3,976,864	$19,884
CHFA First Mortgage		$0	$0
CHFA HAT		$0	$0

Loan to Value
82.7%

Loan to Cost
87.5%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	575	40	50% CHFA	$598	$23,900
1 BR	575	159	60% TCAC	$675	$32,790
1 BR	575	1	Manager	$0	N/A
		200			

Index:

Section	*Page*
Narrative	1
Project Summary	10
Project Profile	
Reserve Requirements	
Unit Mix and Income	
Source and Uses of Funds	11
Operating Budget	12
Project Cash Flows	13
Location Maps (area and site)	14

THIS PAGE
INTENTIONALLY
LEFT BLANK

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Santa Ana Towers Apartments

CHFA Ln. # 99-030-S

SUMMARY

This is a Final Commitment request for two loans funding the acquisition and permanent financing of the Santa Ana Towers Apartments. The initial loan will finance the acquisition of the existing project using taxable funds in the amount of $11,400,000. The project will ultimately be sold to a tax credit partnership utilizing a tax-exempt bond financing and 4% tax credits. The acquisition loan will be due and payable in two years and will be retired by either a conventional construction loan or (if they obtain equity funds through another source) by the CHFA permanent loan.

The permanent first loan will be in the amount of $10,500,000 for thirty-five years. The proposed acquisition/rehabilitation project is a 200-unit elderly project located at 401 W. First Street, Santa Ana in Orange County.

LOAN TERMS:

	ACQUISITION	PERMANENT
1st Mortgage Amount:	$11,400,000	$10,500,000
Interest Rate:	7.00%	6.35%
Term:	2 year interest only	35 year fixed Fully Amortized
Financing:	Taxable	Tax-Exempt

Standby Operating Commitment: $500,000

LOCALITY INVOLVEMENT:

There is no locality involvement anticipated at this time.

SECTION 8 CONVERSION

Current Status. The 200-unit Santa Ana Towers project is an existing, 21-year-old HUD Section 8 senior project with a HAP contract on annual renewals. The project will remain restricted to resident's 62 years and older.

Conversion Scenario. If the project-based contract was ever terminated, the base of residents would be likely to remain a mix of Section 8 and LIHTC tenants for several years (or longer), depending on the rate of turnover. This scenario assumes that up to 30% of existing tenants would elect to move out were they to receive Section 8 certificates (i.e., if the project were no longer subsidized). The likelihood of this many tenants relocating voluntarily is expected to be low, due to the combined effects of the following factors:

- Many owners of market rate senior projects in Orange County are no longer accepting Section 8 certificates, based on interviews by National Survey Systems with property owners/managers over the past 18 months. The market study suggests that landlord acceptance rates of Section 8 certificates in general occupancy projects has also dropped significantly since improving market conditions have allowed landlords to increase street rents.
- All existing LITHC senior apartment units in the primary market area are 100% occupied, typically with waiting lists. The opportunity for existing Santa Ana Towers tenants to move out to other affordable senior projects is low.
- Mobility rates of senior renters are low, as evidenced by the much lower turnover rate in senior apartment projects relative to general occupancy projects.
- If 30% of the subject project's existing tenant base were in fact to move out (after receiving portable Section 8 certificates), National Survey Systems' conclusion is that absorption of those units <u>at the new proposed tax credit rent</u> would occur within five months. This translates to average absorption of 12 units per month.
- The Agency will provide a $500,000 Standby Operating Commitment to cover any shortfall.

PROJECT DESCRIPTION:

A. Site Design:

The site is located at 401 W. First Street, Santa Ana, California on the northeast comer of First Street and Ross Street. The subject site is level, rectangular shaped and at street grade. The site comprises a total of 2.49 acres. Access to the property is available from Ross Street. Emergency access only is available along First Street at the east property line.

B. Project Description:

Santa Ana Towers consists of one three-story building and a nine-story high-rise. The project has one management unit and 199 "rentable" units, all of which are 1BR/1BA. The project has 86 units in the three-story, mid-rise wood frame building, and 114 units in the nine-story concrete tower. There are four total elevators (1 freight and 3 passenger).

Parking is open, with 65 to 66 spaces. The main entry contains the management/leasing/maintenance offices. Above entry level is a multi-purpose room for activities. Two laundry rooms handle all the needs of the tenants. All units have a patio or balcony but no outside storage.

Generous closet space is the most outstanding feature within the units. Kitchens are equipped with frost free refrigerators, gas stove and range. Each bathroom contains a full tub with grab bars and an emergency pull cord (switch). A vertical heating/cooling vent in the living room provides climate control. Verticals are replacing drapes as units aie turned. Low-pile carpeting is a good floor treatment choice.

C. Rehabilitation Work and Improvements:

Project rehab is budgeted at $1,4000,000 to $1,500,000, or approximately $7,000 to $7,500 per unit. The rehabilitation components are a culmination of requirements by CHFA's third party physical needs inspection, seismic work, and the borrower's own assessment. The major rehab components are to include the following:

- Seismic work
- Updated mechanical systems including upgrading of HVAC
- Re-roofing
- Common area carpet, paint, new furnishings
- Installation of security system with television view of the front entry
- Exterior painting, entry renovation and some landscaping

D. Relocation

No permanent relocation is anticipated, consequently limited relocation will be required during rehabilitation. The Agency will require compliance with any applicable provisions of the Uniform Relocation Act and an appropriately funded relocation reserve.

E Project Location:

The subject property is located at 401 West 1st Street in Santa Ana, at the northeast comer of 1st and Ross Streets. Santa Ana Towers is two blocks south of the Civic Center. Site and regional access is good, with the Santa Ana Freeway (I-5)/Costa Mesa Freeway (SR

55) interchange two miles east and the confluence of the Santa Ana Freeway, the Garden Grove Freeway and Orange Freeway two miles north. Roximity to retail and services is good, with a grocery/drug shopping center anchored by Food-4-Less and Rite Aid just 0.5 miles east, and a brand new retail center (Bristol Market Place) 1.75 miles northwest of the site. Public transportation is available curbside, with an all-weather shelter with bench and canopy located at the entrance to the community on North Ross Street. The OCTA main Bus Terminal is located just 3 blocks north, and an auxiliary OCTA van provides door-to-door service Monday through Fridays for shopping and medical appointments.

Senior center proximity is excellent, with the Santa Ana Senior Center located adjacent to the subject property (at the southeast corner of North Ross Street and West 3rd Street). A hot noon meal is provided each weekday for a $1.50 contribution. Reportedly many of Santa Ana Towers' current residents walk next door daily to participate in the lunch and activities provided year round.

MARKET:

A. Market Overview

The city of Santa Ana is located in north central Orange County. Neighboring cities include Tustin and Orange on the east, Costa Mesa to the south, and Fountain Valley and Garden Grove to the west. Santa Ana is the Orange County seat with various county offices as well as state and federal offices located within its civic center.

Orange County ranks third in population among California's 58 counties and includes approximately 8.3% of the State's total population. Per capita income in Orange County has consistently exceeded that in Los Angeles County and California, indicating a higher-than-average proportion of skilled workers in the county.

B. Market Demand

The 35,519 senior (65+) households in the Santa Ana Primary Market Area (PMA) represent 15% of the total household base (229,287 households). While below the 18% proportion of 65+ households in Southern California as a whole, the base is numerically deep. Among 65+ households, 29% rented rather than owned as of the last Census data. This compares to 49% renter households overall in the Santa Ana PMA.

The income distribution among senior households shows that half (51%) of all 65+ households fall in the under-$25,000 income ranges that correlate most directly to demand for senior apartments. Examination of the 65+ income distribution shows that 40% of all 65+ households would meet the threshold income for the subject property.

In addition to surveying twelve existing senior projects comprising **988** units, National Survey systems compiled data on pending projects that may compete with the subject project for the identified demand. There are eight pending or "proposed" projects totaling 1,240 units that were identified in the course of interviews with planning, redevelopment and building department officials with the cities comprising the PMA, along with review of TCAC allocations and monitoring of published information. Of the **1,240** units in planning, 403 units or 32% are targeted for low income.

C. Housing Supply

National **Survey** Systems' December **1999** field audit covered a total of **23** apartment projects of which **16** are age-restricted ("senior") and **7** are general occupancy. Nearly half (46%) of the **1,388** surveyed senior apartment units **are** held to income restrictions, as a function of financing or city approvals. One quarter of the units in the surveyed market rate senior apartment projects are "set-aside" for low income tenants. In virtually all **(98%)** cases, the setaside units are restricted to **50%** median area income. Occupancy was high among both the general occupancy and senior project categories. Senior apartment project **was** running at **98.9%,** and general occupancy projects at **98.9%.**

The Santa Ana PMA has an unusually high percentage of one-bedroom units, even in the case of market rate senior projects. Among the **988** units in market rate/primarily market rate project, 90% of the floor plans offered **are** 1BR/1BA units. This compares to a "typical" 1BR representation of **80%** in most Southern California sub-markets. The surveyed LIHTC senior projects **also** have an unusually high percentage of IBR floor plans. Only **6%** of the **400** existing LIHTC units offer two bedrooms.

Annual turnover among the surveyed LIHTC senior apartment projects in this sub-market averages 13% per year. Market rate senior projects **also** reported turnover averaging 13%. Annual turnover rates for the subject project would **be** presumed to fall in the **10%** to **15%** range under a **tax** credit scenario.

The average age of tenants in the surveyed LIHTC senior apartment projects is 74 years - generally in line with the typical 72 to **73** average age **that** characterizes most senior apartment projects in Southem California. The four surveyed projects carry age restrictions ranging from 60 years (Rose Gardens) to 62. All four projects were built within the last five **years** (1994 to **1997).**

Despite the very low **(6%)** incidence of two-bedroom units, couples reportedly account for **12%** of the **tenancy** in the surveyed LIHTC senior projects. (Couples account for **9%** of the residents in the surveyed market rate senior projects, closely correlating to the **9%** proportion of **two-bedroom units.)** Both ratios **are** lower **than** the "typical" **ratio** of **15%** in Southern California senior projects.

An analysis of amenities revealed the following: elevators and security were predominate in all senior projects surveyed. None of the senior LIHTC projects have dishwashers, Santa Ana Towers will match local senior apartment product norms in including patios and balconies. While refrigerators are universal in LIHTC senior projects, refrigerators are included in only 33% of the surveyed market rate senior projects. The subject matches the LIHTC senior stock in offering central air conditioning and is superior to the majority of market rate senior projects (in which wall units are more prevalent than central air conditioning). Grab bars are provided in half *(50%)* of the LIHTC senior projects in the PMA and in most *(92%)* of market rate senior projects, and will also be included in the subject project.

PROJECT FEASIBILITY

A. Capture Rate in Primary Market Area (PMA)

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

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

Rent Level	Subject Project	Section 8	Mkt. Rate Avg.	Difference	Percent
One bedroom					
50%	$598	$805	$750	$152	80%
60%	$675	$805	$750	$75	90%

C. Estimated Lease-Up Period

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

OCCUPANCY RESTRICTIONS:

CHFA: *20%* of the units (40) will be restricted to 50% or less of median income.
TCAC: 100% of the units (199) will be restricted *to* 60% or less of median income.

Note: HUD *HAP contract* expires in May 2000 and the sponsor will seek annual renewals.

ENVIRONMENTAL:

CHFA received a Phase I-Environmental Assessment Report prepared by Eckland Consultants Inc. dated September 15, 1999 and a reliance letter dated December 9, 1999. The report concludes that there is no evidence to suggest any significant environmental conditions at the subject property with the exception of the following: Based on the construction date of 1976-1978 and the limited bulk sample test results, the present buildings contain asbestos. These materials are both friable and nonfriable and are considered to be in good condition. Based on this recognized environmental condition, the implementation of an Asbestos Operations and Maintenance Program at the subject site and the proper handling and disposal of ACM during renovation or demolition is required.

The Dames & Moore seismic review recommends 'a program to anchor building equipment and natural gas piping found throughout the three buildings. In addition, Dames & Moore recommends upgrade of the seismic instrumentation in the 9-story reinforced concrete tower building. This will be a condition of the final commitment.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The borrower is a to be formed limited partnership. The developer and managing general partner is Thomas Safran, the president of Thomas Safran & Associates. Thomas Safran & Associates has developed over 2,050 units of rental housing in California. They currently own, as general partners, approximately 1,600 units, of which they manage over 1,100 units. They manage several projects in the CHFA portfolio.

B. Contractor

The Contractor is ICON Builders from Santa Monica. ICON Builders began in 1984 and is a subsidiary of Bezaire Electric, which was established in 1945 in California. They have been the general contractors on four publicly funded multifamily projects, including the CHFA financed Lark Ellen project. Kelly Sands is the contractor assigned to this project and he has managed ICON Builders since it's inception. ICON Builders has a staff of 50 employees and operates in 2 states.

C. Architect

No architect has been selected at the present time.

D. Management Agent

Thomas Safran & Associates, Inc. will manage the project.

Project Summary

Date: 3-Jan-00

Project Profile:

Project: Santa Ana Towers
Location: 401 W. First Street
Santa Ana
County/Zip: Orange 92701
Borrower: Thomas Safran & Assoc.
GP: TBD
LP: TBD

Program: Tax Exempt
CHFA #: 99-030-S

Appraiser: Michael Fairchild, MAI
TBD
Cap Rate: 8.50%
As-Is Value $ 11,600,000
After Rehab $ 12,700,000
Final Value: $ 12,700,000

LTC/LTV:
Loan/Cost 87.5%
Loan/Value 82.7%

Project Description:

Units	200
Handicap Units	0
Bldge Type	Acq./Rehab.
Buildings	2
Stories	3 or 9
Gross Sq Ft	169.952
Land Sq Ft	108,464
Units/Acre	80
Total Parking	66
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
Acquisition				
CHFA Loan Acq.	$11,400,000	$57,000	7.00%	2
Borrower Contribution	$601,400	$3,007	0.00%	
Operational Income	$0	0%	0.00%	
Permanent				
CHFA First Mortgage	$10,500,000	$52,500	6.35%	35
Operational Income	$319,930	$1,600	0.00%	-
Borrower Contribution	$0	$0		
Tax Credit Equity	$3,976,864	$19,884		
Deferred Developer Fee	$167,256	$836		
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	MaxIncome
1 BR	575	40	50% CHFA	$598	$23.900
1 BR	575	159	60% TCAC	$675	$32,790
1 BR	575	1	Manager	$0	N/A
		200			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$114,000	Cash
Finance Fee	2.00%	of Loan Amount	$210,000	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$105,000	Letter of Credit
Rent Up Account	0.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$180,300	Letter of Credit
Marketing	2.50%	of Gross Income	$45,075	Letter of Credit
Annual Replacement Reserve Deposit	$350	Per Unit	$70,000	operations
Initial Deposit to Rep. Reserve	$775	Lump Sum	$155,000	Cash
Standby Operating Account		Lump Sum	$500,000	Agency Funds
Const. Defects Agreement		15 months	$42,940	Letter of Credit

SOURCES AND USES WORKSHEET Santa Ana Towers

SOURCES:

	Acquisition Taxable	Acquisition Per Unit Cost	Permanent Tax-Exempt	Permanent Per Unit Cost	Interest Rate
CHFA Loan Acq.	11,400,000	57,000		0	7.00%
CHFA First Mortgage	-	0	10,500,000	52,500	6.35%
CHFA HAT	-	0	-	0	0.00%
Operational Income	-	0	319,930	1,600	5.90%
Loan 5	-	0	-	0	
Loan 6	-	0	-	0	
Loan 7	-	0	-	0	
AHP	-	0	-	0	
Contributions From Operations	-	0	-	0	
Borrower Contribution	601,400	3,007	-	0	
Deferred Developer Equity	-	0	167,256	836	
Tax Credit Equity		0	3,976,864	19,884	
Total Sources	12,001,400	60,007	14,964,050	74,820	
(Gap)/Surplus	0	0	0	0	

USES:

	Acquisition Taxable	Acquisition Per Unit Cost	Permanent Tax-Exempt	Permanent Per Unit Cost
ACQUISITION				
Total Land Cost or Value	$11,600,000	58,000	$0	0
Legal/Broker Fees	$0	0	$0	0
Existing Improvements Value	$232,000	1,160	$0	0
Demolition	$0	0	$0	0
Pay Off of Taxable Loan	$0	0	$11,400,000	57,000
Other	$0	0	$0	0
Total Acquisition Cost	$11,832,000	59,160	$11,400,000	57,000
REHABILITATION				
Site Work	$0	0	$0	0
Structures	$0	0	$745,978	3,730
General Requirements	$0	0	$98,100	491
Contractor Overhead	$0	0	$123,526	618
Contractor Profit	$0	0	$0	0
Seismic	$0	0	$700,000	3,500
Furnishings	$0	0	$50,000	250
Total Rehab. Costs	$0	0	$1,717,604	8,588
NEW CONSTRUCTION				
Site Work	$0	0	$0	0
Structures	$0	0	$0	0
General Requirements	$0	0	$0	0
Contractor Overhead	$0	0	$0	0
Contractor Profit	$0	0	$0	0
Furnishings	$0	0	$0	0
Other	$0	0	$0	0
Total New Const. Costs	$0	0	$0	0
ARCHITECTURAL FEES				
Design	$0	0	$20,000	100
Supervision	$0	0	$15,000	75
Total Architectural Costs	$0	0	$35,000	175
SURVEY & ENGINEERING	$15,000	75	$15,000	75
CONST. INTEREST & FEES				
Const. Loan Interest	$0	0	$138,031	690
Construction Loan Fee	$0	0	$42,500	213
Legal	$0	0	$0	0
Bond Premium	$0	0	$26,172	131
Taxes	$0	0	$15,000	75
Insurance	$0	0	$24,000	120
Title and Recording	$0	0	$30,000	150
Cost Certification	$0	0	$5,000	25
Inspections	$0	0	$16,000	80

SOURCES:

	Acquisition		Permanent		Interest
	Taxable	Per Unit Cost	Tax-Exempt	Per Unit Cost	Rate
Total Const. Interest & Fees	$0	0	$296,703	1,484	
PERMANENT FINANCING					
Commitment Fee	$114,000	570		0	
Finance Fee		0	$210,000	1,050	
Title and Recording	$10,000	50	$0	0	
Bridge Loan Interest	$0	0	$0	0	
HAT Bridge Loan	$0	0	$0	0	
HUD Environ. Review/App. Fee	$500	3	$0	0	
Other	$0	0	$0	0	
Total Perm. Financing Costs	$124,500	623	$210,000	1,050	
LEGAL FEES					
Borrower Legal Fee	$10,000	50	$60,000	300	
Other	$5,000	25	$0	0	
Other	$0	0	$0	0	
Total Attorney Costa	$15,000	75	$60,000	300	
RESERVES					
Rent Up Account	$0	0	$0	0	
Operating Expense Reserve	$0	0	$180,300	902	
Marketing	$0	0	$45,075	225	
Bond Origination	$0	0	$0	0	
Other	$0	0	$155,000	775	
Other	$0	0	$0	0	
Total Reserve Costs	$0	0	$380,375	1,902	
CONTRACT COSTS					
Appraisal	$7,500	38	$0	0	
Market study	$5,500	28	$0	0	
PNA	$0	0	$0	0	
Total Contract Costs	$13,000	65	$0	0	
CONTINGENCY					
Hard Cost Contingency	$0	0	$77,203	986	
Soft Cost Contingency	$0	0	$40,000	200	
Total Contingency Costa	$0	0	$117,203	586	
OTHER					
TCAC App/Alloc/Monitor Fees	$0	0	$0	0	
Environmental Audit	$1,900	10	$0	0	
Permit Processing Fees	$0	0	$15,000	75	
Capital Fees	$0	0	$0	0	
Relocation Expenses	$0	0	$10,000	50	
Other	$0	0	$0	0	
Other	$0	0	$0	0	
Other	$0	0	$0	0	
Total other Costs	$1,900	10	$25,000	125	
PROJECT COSTS	$12,001,400	60.007	$14,256,885	71,284	
DEVELOPER COSTS					
Developer Overhead/Profit	$0	0	$707,165	3,536	
Project Administration	$0	0	$0	0	
Consultant/Processing Agent	$0	0	$0	0	
Total Developer Costs	$0	0	$707,165	3,536	
TOTAL PROJECT COST	$12,001,400		$14,964,050		

851

Annual Operating Budget — Santa Ana Towers

		% of total	$ per unit
INCOME:			
Total Rental Income	1,791,000	99.3%	8,955
Laundry	12,000	0.7%	60
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	1,603,000	100.0%	8,015
Less:			
Vacancy toss	90,150	5.0%	451
Total Net Revenue	1,712,850	85.0%	8,564
EXPENSES:			
Payroll	94,000	6.5%	470
Administrative	94,200	6.5%	471
Utilities	185,000	12.7%	925
Operating and Maintenance	129,800	8.9%	649
Insurance and Business Taxes	21,000	1.4%	105
Taxes and Assessments	112,000	7.7%	560
Reserve for Replacement Deposits	70,000	4.0%	350
Subtotal Operating Expenses	706,000	48.5%	3,530
Financial Expenses			
Mortgage Payments (1st loan)	748,295	51.5%	3,741
Total Financial	748,295	51.5%	3,741
Total Project Expenses	1,454295	100.0%	7,271

Cash Flow Santa Ana Towers CHFA # 99-030-S

RENTAL INCOME	2000	2001-2002	2003	2004	2005	2006	2007	2008	2009	2010
Sec.8 Increase	1.50%	Construction	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Surplus Sec. 8 Income	1,791,000	Period	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	2.50%	Financing	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	0		1,696,038	1,738,439	1,781,900	1,826,447	1,872,109	1,918,911	1,966,884	2,016,056
TOTAL RENTAL INCOME	1,791,000		1,696,038	1,738,439	1,781,900	1,826,447	1,872,109	1,918,911	1,966,884	2,016,056
OTHER INCOME										
Other Income Increase	2.50%		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	12,000		12,922	13,245	13,576	13,916	14,263	14,620	14,986	15,360
Other Income	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	12,000		12,922	13,245	13,576	13,916	14,263	14,620	14,986	15,360
GROSS INCOME	1,803,000		1,708,960	1,751,684	1,795,476	1,840,363	1,886,372	1,933,531	1,981,870	2,031,416
Vacancy Rate : Sec. 8	5.00%		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Vacancy Rate : Affordable	5.00%		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	90,150		85,448	87,584	89,774	92,018	94,319	96,677	99,093	101,571
EFFECTIVE GROSS INCOME	1,712,850		1,623,512	1,664,100	1,705,702	1,748,345	1,792,053	1,836,855	1,882,776	1,929,846
OPERATING EXPENSES										
Annual Expense Increase	4.00%		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	524,000		589,429	613,006	637,526	663,027	689,549	717,131	745,816	775,648
Replacement Reserve	70,000		70,000	70,000	70,000	70,000	73,500	73,500	73,500	73,500
Annual Tax Increase	2.00%		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	112,000		118,855	121,232	123,657	126,130	128,652	131,226	133,850	136,527
TOTAL EXPENSES	706,000		778,284	804,238	831,183	859,157	891,701	921,856	953,166	985,675
NET OPERATING INCOME	1,006,850		845,228	859,862	874,519	889,188	900,352	914,999	929,610	944,170
CHFA Loan Acq.	798,000									
CHFA - 1st Mortgage	0		748,295	748,295	748,295	748,295	748,295	748,295	748,295	748,295
CHFA - HAT Loan	0		0	0	0					
CASH FLOW after debt service	208,850		96,933	111,566	126,224	140,892	152,057	166,704	181,315	195,875
Operating Transition Reserve										
Cumulative Reserve Bal.										
DEBT COVERAGE RATIO	1.26		1.13	1.15	1.17	1.19	1.20	1.22	1.24	1.26
Net Residual Cashflow	208,850		96,933	111,566	126,224	140,892	152,057	166,704	181,315	195,875

Cash Flow

RENTAL INCOME	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sec.8 Increase	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Surplus Sec. 8 Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	2,066,458	2,118,119	2,171,072	2,225,349	2,280,983	2,338,007	2,396,457	2,456,369	2,517,778	2,580,722
TOTAL RENTAL INCOME	2,066,458	2,118,119	2,171,072	2,225,349	2,280,983	2,338,007	2,396,457	2,456,369	2,517,778	2,580,722
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	15,744	16,138	16,541	16,955	17,379	17,813	18,258	18,715	19,183	19,662
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	15,744	16,138	16,541	16,955	17,379	17,813	18,258	18,715	19,183	19,662
GROSS INCOME	2,082,202	2,134,257	2,187,613	2,242,304	2,298,361	2,355,820	2,414,716	2,475,084	2,536,961	2,600,385
Vacancy Rate : Sec. 8	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	104,110	106,713	109,381	112,115	114,918	117,791	120,736	123,754	126,848	130,019
EFFECTIVE GROSS INCOME	1,978,092	2,027,544	2,078,233	2,130,188	2,183,443	2,238,029	2,293,980	2,351,329	2,410,113	2,470,366
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	806,674	838,941	872,499	907,399	943,695	981,443	1,020,700	1,061,528	1,103,989	1,148,149
Replacement Reserve	73,500	77,175	77,175	77,175	77,175	77,175	81,034	81,034	81,034	81,034
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	139,258	142,043	144,884	147,781	150,737	153,752	156,827	159,963	163,162	166,426
TOTAL EXPENSES	1,019,432	1,058,159	1,094,557	1,132,355	1,171,607	1,212,369	1,258,561	1,302,525	1,348,186	1,395,608
NET OPERATING INCOME	958,660	969,385	983,675	997,833	1,011,836	1,025,660	1,035,419	1,048,804	1,061,927	1,074,757
DEBT SERVICE										
CHFA Loan Acq.										
CHFA - 1st Mortgage	748,295	748,295	748,295	748,295	748,295	748,295	748,295	748,295	748,295	748,295
CHFA - HAT Loan										
CASH FLOW after debt service	210,365	221,090	235,380	249,538	263,541	277,365	287,124	300,509	313,632	326,462
Operating Transition Reserve										
Cumulative Reserve Bal.										
DEBT COVERAGE RATIO	1.28	1.30	1.31	1.33	1.35	1.37	1.38	1.40	1.42	1.44
Net Residual Cashflow	210,365	221,090	235,380	249,538	263,541	277,365	287,124	300,509	313,632	326,462

Cash Flow

RENTAL INCOME	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sec.8 Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Surplus Sec. 8 Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	2,645,240	2,711,371	2,779,156	2,848,635	2,919,851	2,992,847	3,067,668	3,144,360	3,222,969	3,303,543
TOTAL RENTAL INCOME	2,645,240	2,711,371	2,779,156	2,848,635	2,919,851	2,992,847	3,067,668	3,144,360	3,222,969	3,303,543
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	20,154	20,658	21,174	21,704	22,246	22,802	23,372	23,957	24,556	25,169
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	20,154	20,658	21,174	21,704	22,246	22,802	23,372	23,957	24,556	25,169
GROSS INCOME	2,665,394	2,732,029	2,800,330	2,870,338	2,942,097	3,015,649	3,091,040	3,168,316	3,247,524	3,328,712
Vacancy Rate : Sec. 8	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	133,270	136,601	140,016	143,517	147,105	150,782	154,552	158,416	162,376	166,436
EFFECTIVE GROSS INCOME	2,532,125	2,595,428	2,660,313	2,726,821	2,794,992	2,864,867	2,936,488	3,009,901	3,085,148	3,162,277
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	1,194,075	1,241,838	1,291,512	1,343,172	1,396,899	1,452,775	1,510,886	1,571,321	1,634,174	1,699,541
Replacement Reserve	81,034	85,085	85,085	85,085	85,085	85,085	89,340	89,340	89,340	89,340
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	169,754	173,149	176,612	180,145	183,747	187,422	191,171	194,994	198,894	202,872
TOTAL EXPENSES	1,444,863	1,500,073	1,553,209	1,608,402	1,665,732	1,725,283	1,791,396	1,855,655	1,922,408	1,991,753
NET OPERATING INCOME	1,087,262	1,095,355	1,107,104	1,118,419	1,129,260	1,139,584	1,145,092	1,154,245	1,162,740	1,170,524
DEBT SERVICE										
CHFA Loan Acq.										
CHFA - 1st Mortgage	748,295	748,295	748,295	748,295	748,295	748,295	748,295	748,295	748,295	748,295
CHFA - HAT Loan										
CASH FLOW after debt service	338,967	347,060	358,809	370,124	380,965	391,289	396,797	405,950	414,445	422,229
Operating Transition Reserve										
Cumulative Reserve Bal.										
DEBT COVERAGE RATIO	1.45	1.46	1.48	1.49	1.51	1.52	1.53	1.54	1.55	1.56
Net Residual Cashflow	338,967	347,060	358,809	370,124	380,965	391,289	396,797	405,950	414,445	422,229

854

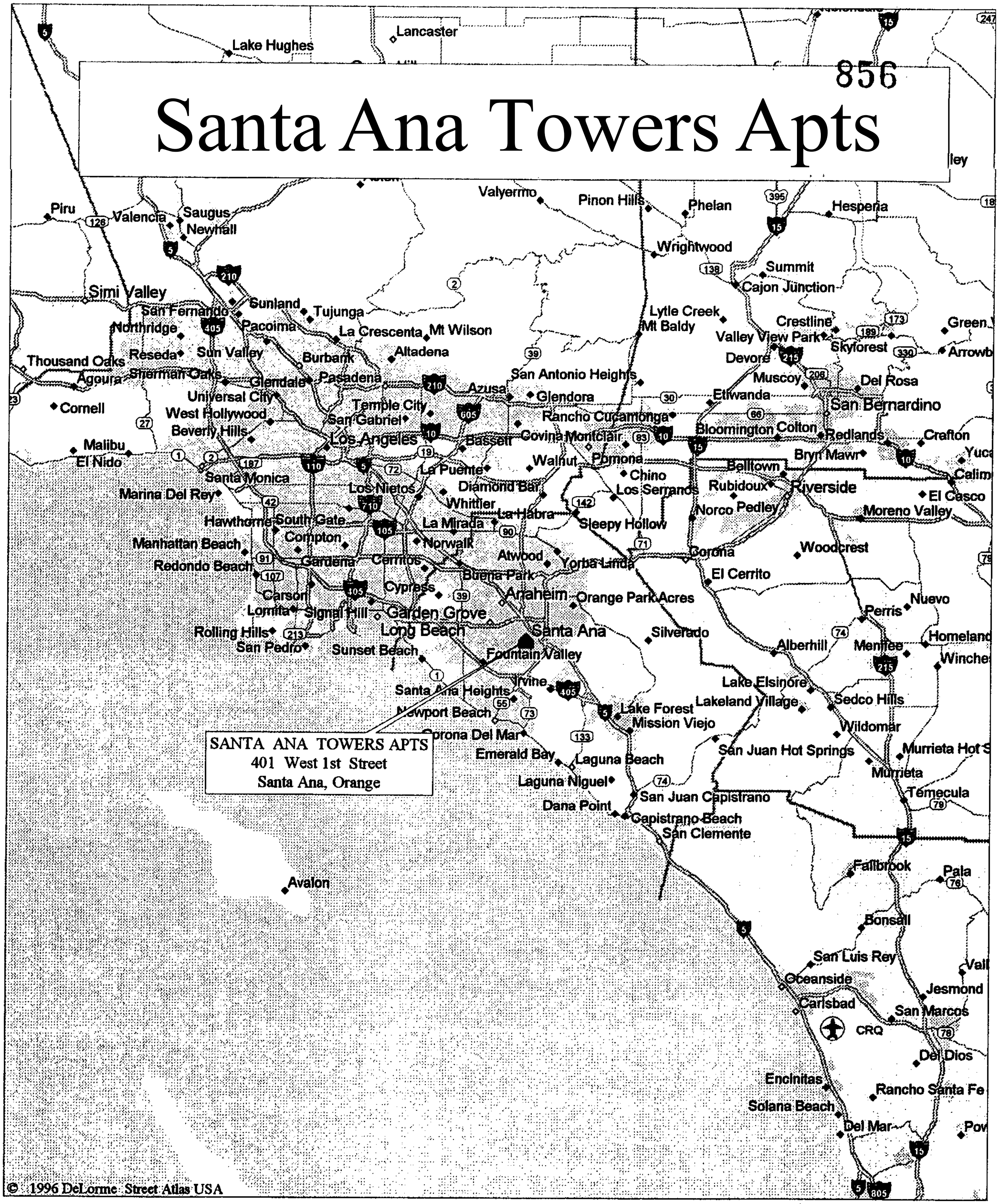
855

Cash Flow

RENTAL INCOME	2031	2032	2033	2034	2035	2036	2037
Sec.8 Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Surplus Sec. 8 Income	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%*
Affordable Rents	3,386,131	3,470,785	3,557,554	3,646,493	3,737,656	3,831,097	3,926,874
TOTAL RENTAL INCOME	3,386,131	3,470,785	3,557,554	3,646,493	3,737,656	3,831,097	3,926,874
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	25,799	26,444	27,105	27,782	28,477	29,189	29,919
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	25,799	26,444	27,105	27,782	28,477	29,189	29,919
GROSS INCOME	3,411,930	3,497,228	3,584,659	3,674,276	3,766,132	3,860,286	3,956,793
Vacancy Rate : Sec. 8	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	170,597	174,861	179,233	183,714	188,307	193,014	197,840
EFFECTIVE GROSS INCOME	3,241,334	3,322,367	3,405,426	3,490,562	3,577,826	3,667,272	3,758,953
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	1,767,523	1,838,224	1,911,753	1,988,223	2,067,752	2,150,462	2,236,480
Replacement Reserve	89,340	89,340	89,340	89,340	89,340	89,340	89,340
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	206,929	211,068	215,289	219,595	223,987	228,467	233,036
TOTAL EXPENSES	2,063,792	2,138,631	2,216,382	2,297,158	2,381,078	2,468,268	2,558,856
NET OPERATING INCOME	1,177,542	1,183,736	1,189,045	1,193,404	1,196,748	1,199,003	1,200,097
DEBT SERVICE							
CHFA Loan Acq.							
CHFA - 1st Mortgage	748,295	748,295	748,295	748,295	748,295	748,295	748,295
CHFA - HAT Loan							
CASH FLOW after debt service	429,247	435,440	440,749	445,109	448,452	450,708	451,802
Operating Transition Reserve							
Cumulative Reserve Bal.							
DEBT COVERAGE RATIO	1.57	1.58	1.59	1.59	1.60	1.60	1.60
Net Residual Cashflow	429,247	435,440	440,749	445,109	448,452	450,708	451,802

856

Santa Ana Towers Apts



Mag 9.00
Thu Jan 06 08:55 2000

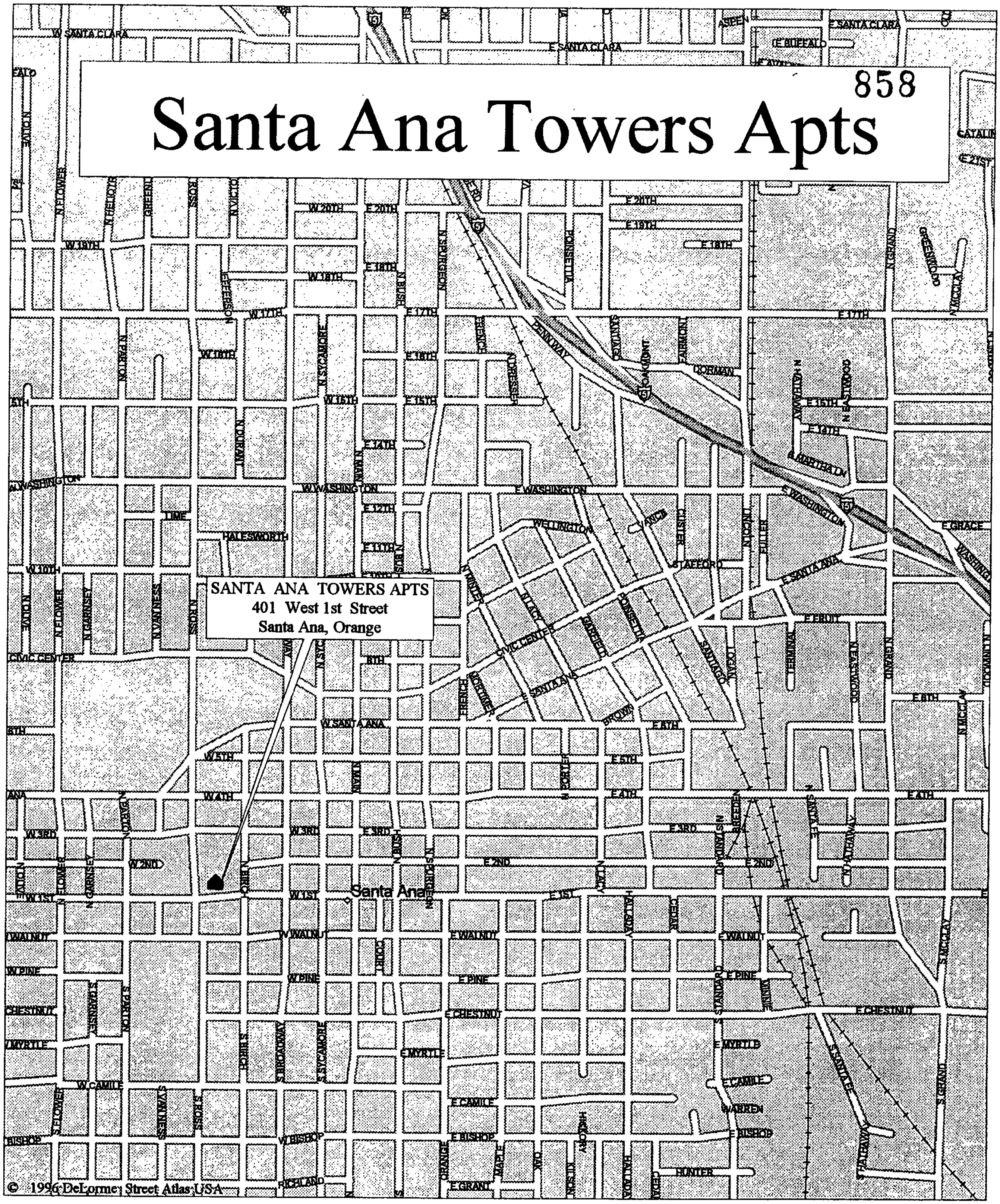
Scale 1:1,000,000 (at center)
20 Miles
20 KM

Major Road
Major Highway
Interstate/Limited Access

THIS PAGE INTENTIONALLY LEFT BLANK

Santa Ana Towers Apts

858



Mag 15.00
Thu Jan 06 08:48 2000

Scale 1:15,625 (at center)
1000 Feet
500 Meters

Local Road
Interstate/Limited Access
Railroad

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 00-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Thomas Safran & Associates, a sole proprietorship (the "Borrower"), seeking a loan commitment under the Agency's Preservation Acquisition Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 200-unit multifamily housing development located in the City of Santa Ana to be known as Santa Ana Towers Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated January 3, 2000 (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 October 18, 1999, 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 NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNTS
99-030-S	Santa Ana Towers Apartments Santa Ana/Orange	200	$11,400,000 Acquisition $10,500,000 Permanent

Resolution 00-01
Page 2

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

3. All other material modifications to the final commitment, including increases in 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 00-01 adopted at a duly constituted meeting of the Board of the Agency held on January 20, 2000, at Millbrae, Califomia.

ATTEST:______________
Secretary

Executive Summary

Date: Wan-00

Project Profile:

Project : Longfellow Apartments
Location: 1350 Manzanita Avenue
City: Chico
County: Butte
Type: Family/Special Needs

Borrower: The ARC of Butte County
GP: NA
LP: NA
Program: 501©(3) - Special Needs
CHFA # : 99-031N

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$773,500	$32,229
AHP	$154,000	$6,417
City of Chico RDA Loan	$250,000	$10,417
City of Chico RDA Grant	$373,000	$15,542
Bank of America Foundation	$5,000	$208
Income from Operations	$15,000	$625
CHFA HAT	$0	$0
CHFA Bridge	$0	$0

Loan to Value 85.0%

Loan to Cost 49.3%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	697	3	50% CHFA	$322	$14,600
2 BR	873	7	50% CHFA	$358	$16,425
1 BR	697	3	50% AHP	$342	$14,600
2 BR	873	2	50% AHP	$411	$16,425
1 BR	697	2	80% City	$435	$23,360
2 BR	873	7	80% City	$550	$26,280
		24			

Index:

Section	Page
Narrative	2
Project Summary	12
Project Profile	
Reserve Requirements	
Unit Mix and Income	
Source and Uses of Funds	13
Operating Budget	14
Project Cash Flows	15
Location Maps (area and site)	16

'MIS PAGE
INTENTIONALLY
LEFTBLANK

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Project Name: The Longfellow Apartments
CHFA Ln. # 99-031N

SUMMARY:

This is a quest for Permanent Loan for the Longfellow Apartments, located at 1350 Manzanita Avenue, in Chico. The project contains twenty-four (24) one and two bedroom units. The building is scheduled to undergo moderate rehabilitation. Seven (7) of the units will be reserved for developmentally disabled families with children, and three (3) of the units will be reserved for developmentally disabled adults transitioning from group home situations to independent living. The remaining fourteen units will house low-income and moderate-income families. The Sponsor is the *ARC* of Butte County.

LOAN TERMS:

CHFA Permanent Loan	$773,500
Interest Rate:	3%
Term:	30 years
Financing:	50103 Bonds

SPECIAL NEEDS TERMS:

Interest Subsidy

The Agency's permanent loan will be in first lien position. The Agency will use available financial resources to reduce the interest rate from 6.2 % to 3.0 %.

Funding Structure

All of the subordinate debt on the project is committed and will either be forgiven, or repaid through residual receipts.

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
City of Chico	$250,000	Residual receipts, simple interest	30	5%
AHP	$154,000	forgivable Loan	30	0%
City of Chico Grant	$373,000	NA	NA	NA
Bank of America Grant	$5,000	NA	NA	NA
Income from Operations	$15,000	NA	NA	NA

The project also received a subsidy award of $154,000 from the Federal Home Loan Bank Affordable Housing Program (AHP). The AHP award is forgivable at the end of the term of the loan if the regulatory conditions of the program have been met. The Bank of America Community Development Bank sponsored the AHP application, and also made a $5,000 grant to the project.

The project is expected to generate an additional $15,000 from operating income during construction.

SPECIAL NEEDS POPULATION:

Forty percent (40 %) or ten (10) of the units will be reserved for individuals or families where the adults are mentally retarded or have a related developmental disability. The emphasis will be upon serving those developmentally disabled families and individuals that will most benefit from living in an integrated residential community with non-disabled families including:

- Developmentally disabled adult's transitioning out of group homes into independent living. These individuals need the assistance of support staff to master the independent living skills, and exposure to "normal" living situations to successfully transition to the level of independence they are capable of.

- Families where one or both of the parents are developmentally disabled but the children do not have a disability. These families are at high risk in a variety of ways. They are struggling to survive financially; they often lack parenting skills; and they do not have appropriate supportive services to provide a safe, nurturing environment for their children. Often the families are referred to the ARC of Butte County only after they have become involved with Children's Services Division (CSD) and have lost their children. The CSD complaints usually arise around allegations of neglect, abuse or domestic violence in the home. The *ARC* staff has extensive experience in developing a family support plan with the clients, the Regional Center, the District Attorney's Office, and Children's Services Division to ensure that the parents are provided with appropriate services to make the home environment safe and to facilitate the return of the children to the home. In the *ARC* of Butte County's experience, these families benefit greatly from being integrated into a residential population where "normal" role models are available. The families also need the assistance of staff support to prevent minor issues from becoming major incidents that threaten the family's stability. The sponsor plans to have staffing at the complex between the hours of 6:00 PM until 3:00 *AM,* when most problems occur. The *ARC* of Butte County is currently assisting 94 such families in Butte, Glenn and Tehama counties.

SOCIAL SERVICE PROGRAM:

There will be a social worker on site 24 hours of the day to assist the developmentally disabled residents with independent living skills, service coordination, parenting skills, problem solving and to provide respite care for the developmentally disabled parents. Classes, counseling, job training, and leisure activities will be available off-site.

The components of the ARC's service program are:

- Independent Living Skills Training and individual assistance as needed.
- Support Services for daily living tasks, tenant meetings, service coordination, medical and dental assistance, employment assistance, and other assistance as necessary.
- Parenting Education Program - A series of ongoing education programs to provide parents with a better understanding of their children's needs as well as providing an outlet for stress and a forum for personal and family growth. In addition to classes, the Sponsor will assist residents in enrolling in the Women, Infant and Children program, the Better Babies program, the Parent Education Network, and provide assistance to parents with Parent Teacher Conferences, and school evaluations for their children.
- Parenting Skills Training - Special assistance for families who have been reported to the Children's Services Division for allegations of child neglect, abuse or domestic violence in the home. These families are assisted with family communication, anger and stress management, and developing self-esteem, instruction in child development, positive discipline, problem solving, nutrition, and the impact of alcohol and drug use on parenting.

MARKET:

A. Market Overview

The project is an existing two-story residential complex composed of two buildings located at 1350 Mariposa Avenue in the City of Chico in Butte County. It was built in 1962. It is currently owned by the Fong Family (the seller), and the borrower has a purchase agreement with the seller to purchase the property "as is" for $890,000. An appraisal was completed by Roy K Oliver, MAI of El Dorado Hills California, and is dated September 16,1999. Information on the market area is taken from that document.

Butte County is located in the northeastern section of the state. Chico is situated approximately 85 miles north of Sacramento, and 150 miles west of Reno Nevada. The population of Butte County is proximately 200,000 and has experienced a 1.1 % population growth since 1990. This is typical of northern California and the State as a whole. Future population growth is expected to be slightly higher than in the recent past. Chico, Paradise and Oroville comprise the largest communities in the county and represent the bulk of the economic activity in the county.

Chico is the main cultural and trade center serving the region. Since 1990, Chico has experienced a growth rate of 2.34 % per year. Chico State University, with 17,000 students, is located in Chico, and Butte Community College, a two-year junior college with 12,000 students is located between Oroville and Chico. Education is the foundation of the Chico economy. The area also has a large concentration of jobs in the lumber and agricultural industries, which are seasonal in nature, and associated with unemployment levels of up to 15 % in the winter season. Overall employment has increased over the last ten years, and unemployment has declined from a high of 11.5 % in 1993, to 5.8 % in 1998. Continued stability at current levels is expected.

The subject property is located approximately one mile northeast of Highway 99, in a stable community of 30 to 40 year old single family homes. The average single family home in the area is selling for $100,000 with some pockets of custom homes west of the subject property. There is only one other apartment project within a mile radius of the subject property. That apartment building is across the street and to the west of the subject property. The subject property is a corner piece property with a visible location for much of the neighborhood traffic, which is positive for market exposure. The neighborhood is stable with no negative influences impacting it. Continued stability is anticipated. There are commercial properties, including smaller retail and office users clustered just south of the property across a dry river channel, the Lindo Channel Park.

The local rental market was flat until 1997. The number of building permits for new multifamily projects fell from 160 permits for 921 units in 1991 to three permits for 3 units in 1998. The number of permits for rental projects increased in 1999 to 21 permits for 84 new rental units. However, the planning department reports that none of the new residential projects currently in planning will compete directly with the subject property. Due to the lack of rental housing development in the last ten years, the rental housing stock in Chico has aged, with most units being *20* plus years old.

Students compromise 33 % of the renters in the city, and the vacancy rates fluctuate with school enrollment. In **1997-1998** the enrollment in Chico State University increased, and created **pressure** on the rental housing market.

The appraiser surveyed five projects **with 446 units** in September of *1999.* **The** manager's at all five properties reported **a** vacancy rate of less than 1 96 and **no** concessions. However, the property managers indicated that the true vacancy rate was **2-3** 96, somewhat higher because of the fluctuations in student rentals during the summer months. They also reported strong demand, rent increases within the previous six months, and all of the managers expected **to raise** rents again within the next six months. It is anticipated that there will be a continued upward pressure on rents. Apartment building buyers tend to **be** individuals or partnerships. The Chico market is too isolated and remote from the large urban centers **to** attract larger institutional investors.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

The subject **property** has eight **(8)** one-bedroom units and sixteen ***(16)*** two-bedroom units. The one-bedroom **units are** approximately ***667*** **square** feet, and the two-bedroom units **are** Approximately ***839*** **square** feet in size.

The appraisal reviewed five buildings in the competitive rental area with comparable units. One-bedroom units in these buildings **are** renting at between ***$435*** and ***$475*** per month. Two bedroom units were renting between **$545** and $600 per month. Occupancy rates were between ***99%*** and 100% at all buildings. The subject property has larger units, but is **an** older property, and its overall appeal is slightly inferior **to** its competitor. Therefore, Market rents have been set for one-bedroom **units** at **$435** per month and ***$550*** for the **two** bedroom units.

Rent Level	Subject Project	Mkt. Rate Avg.	Difference	Percent
One bedroom				
50%	$322	$435	$1 37	74%
50% AHP	$365	$435	$70	*84%*
00%	$435	$435	*$0*	100%
Two Bedroom				
50% CHFA	$358	$550	$192	65%
50% AHP	$411	$550	$1 39	75%
80%	$550	$550	*$0*	100%

B. Special Needs Tenants

The special needs residents will receive Social Security Income ("SSI"), which is currently between $640 to $720 per adult per month. Each disabled adult also receives a supplemental SSI payment of approximately $65 per month. Families receive additional funds from Aid to Families with Dependant Children ("AFDC") depending upon the number of children they have. Currently AFDC provides $431 for one child; $533 for two children; $643 for three children and $723 for four children. Families are also eligible for Food Stamps and funds from the Women and Infant Children Program ("WIC").

There are no project based rental subsidies available for this project. The rent levels for the special needs units have been set at 50 % of Area Median Income ("AMI") in order to make the project financially feasible.

The income levels of developmentally disabled families, for both the one and two bedroom units, is anticipated to be between 47 % and 50 % of the Area Median Income ("AMI",). However, the expected income levels of the single disabled adults are expected to be only 29 % to 35 % of AMI. It is anticipated that the single adults will be rent burdened by HUD standards, in that they will be paying more than 30 % of their income for rent. And they will not be able to share an apartment with another developmentally disabled adult without exceeding the 50 % of AMI income limit.

The fact that up to five of the special needs tenants could be rent burdened at any one time poses a problem for both the residents, and a management risk for the property, in that it could negatively impact the ability of the property to raise rents over time. The sponsor is aware of this problem and has the following strategies in place to assist special needs residents in meeting their rental obligations, and keeping the property financially viable:

- Enroll every eligible resident in the two-year temporary rental benefit program offered by the City of Chico. The program provides a rent subsidy to the landlord for the difference between the market rent, and thirty percent (30%) of the tenant's actual income. This program is available for individuals and families transitioning out of group homes, shelters, and homelessness into permanent housing.

- Assign a social worker to every special needs individual or family to assist them in securing a Section 8 certificate, as soon as they move in. The sponsor says that it typically takes two years, with the assistance of a social worker, to secure a Section 8 certificate in Butte County.

- Enroll the special needs residents in the Representative Payee Program offered by the Northern Regional Center. This program is voluntary, but 100% of the special needs residents enrolled in it. Residents in the Representative Payee Program assign their SSI, supplemental SSI, and AFDC checks to the Regional Center. The Regional Center in turn pays all of the resident's bills, including their rent, before distributing any money to the resident. The remainder of the monthly check is distributed to resident in four equal weekly payments. While not optimal, the representative payee system reduces the risk of rent loss for the project.

- Enroll all of the special needs residents in the sponsor's independent living skills program, which assists the residents with budgeting their funds so that they are able to purchase food and other necessary items.
- The project has been structured with a healthy 1.26 debt coverage ratio to provide a financial cushion for the project.

The sponsor says that most of their special needs clients will be moving from .more expensive apartments where they are typically paying $100 to $150 more than the proposed project rents, where they have established a good track record of payment despite their very low incomes because of the Representative Payee Program.

C. Relocation

The project is currently fully occupied by non-special needs, lower-income families. In order to avoid relocation of the current tenants, the *ARC* of Butte County has been leasing units from the current owner, as they become vacant. To date, they have leased five of the Units.

I' DESCRIPTION:

A. Site Design

The property is an existing 20,543 square foot apartment complex consisting of 24 units in two existing two-story buildings, on a one-acre parcel built in 1963. The orientation of the two residential buildings is inward; effectively creating an internal delta shaped courtyard in the central portion of the property. There is a swimming pool in the courtyard area. The laundry facilities, restrooms, storage shed, and carports are located opposite the residential buildings at the eastern *edge* of the courtyard. The carports are *accessed* from the driveway, which runs between the two carport buildings. The west carport has spaces for eleven vehicles, and the east carport has spaces for 14 vehicles.

There are eight one-bedroom units and sixteen two-bedmom units. Each unit has a private balcony or patio. *All* units have a living room, full kitchen, dining *area,* bath and one or two bedrooms. The kitchens all have stained plywood cabinets with tile countertops, cook-tops and built-in ovens, refrigerators, dishwashers, and garbage disposals.

The laundry room is 376 square feet and the storage room is 623 square feet. The borrower intends to expand the laundry room, and modify the *two* bathrooms near the pool area into a large unisex bathroom that will serve both the swimming pool area and the social service building. The storage room will be converted into a social service area, and computer learning center.

The building is zoned R-3. This is a high-density multi-family zone that allows for one and two story apartment design.

B. Type of Construction

The building is a wood stud construction. The exterior walls are covered with stucco, and there is T-111 siding on the second floor. The foundation is concrete, with wood sub floors on each floor. The roof is a pitched gable design, with a composition shingle roofing cover. Each Unit has a forced air split HVAC system, and is separately metered.

Planned retrofit includes:

- Carports - new roof, asphalt repairs, and new lighting
- Handicapped Repairs – add a new parking area for handicapped vans, necessary ramping, and repair walkways as necessary
- Roof – new drainage system
- Patios – seal and repair balconies, and slabs, add new perimeter fencing
- Landscaping – repair the sprinkler system, trim trees, add new plantings as necessary, and fence in the pool area to comply with cumnt code
- Plumbing – replace the waste system, replace all faucets, traps and angle stops in kitchens and baths, replace all valves with anti –scald valves in bathrooms
- Kitchens – repair and varnish cabinets, replace all cook-tops and range hoods, repair tile as necessary, replace vinyl, replace other appliances as necessary
- Electrical – add GFI's in kitchens, baths, living moms, and on the exterior
- Insulate the floor and roof
- Windows – replace all windows with energy efficient windows
- Painting – repair and paint the building exterior
- Termite and Dryrot –repair as necessary
- HVAC/Heating – replace 50% of the units, service and repair the remaining units
- Bathrooms – perform all necessary repairs
- Replace and upgrade exterior lighting
- Rehabilitate the laundry room, add an outdoor unisex bathroom
- Convert the storage shed into an office area for a case manager, and a service center for the residents and a computer learning center
- Paint and carpet the units as necessary
- Provide new miniblinds for all units

OCCUPANCY RESTRICTIONS:

CHFA:	40% of the units' (10) will be restricted to persons or families that do not exceed 50% of the Area Median Income 30 years. 40% of the units' (10) will be reserved for special needs residents.
City of Chico:	Rents for 20 of the units will be restricted to 30% of 60% of the Area Median Income. Occupancy for those 20 units is restricted to families with incomes at or below 80% of the Area Median Income.
AHP:	15 of the units will be reserved for residents at or below 50% of the Area Median Income, and 7 of the units at 80% of area median income.

ENVIRONMENTAL:

The Phase I Environmental Site Assessment Report was prepared by A/C Industrial Services, Corp. and dated March 23,1999. The Phase I report concluded that there was no evidence of environmental contaminant problems with the property.

No seismic retrofit is required.

The units in the project were found to be free of lead based paint in a study done by Richmark Environmental on December 15, 1999. Lead based paint was found on the exterior of the property. It was identified in the gutters and downspouts, on a door in the carport and on the exterior handrails. The gutters and downspouts and the exterior door will be removed during the rehabilitation of the property. The Agency will require that the lead paint on the handrails be either removed or encapsulated as per the lead-safe standards contained in the 1997 HUD Lead Paint Guidelines.

The presence of asbestos was detected the roofing material, acoustical ceiling material and in duct tape covering the flues of the heating units but no remediation is required. The Asbestos and Lead Paint Report, Operations Manual was prepared by A. C. Industrial Services Corporation, and dated August 31,1999.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The ARC of Butte County was started in 1954 to establish community-based services for people living with developmental disabilities. They currently have 150 employees and provide services to families in three counties. The ARC is a service vendor for the Northern Regional Center. Among the services the Sponsor provides are the following: a Day Program, a Respite Care Program, a Recreational Therapy Program, individually tailored independent living programs, a Community Activity Support service, programs for Families of Children Under Stress, a Parent-to-Parent service, a Downs Syndrome Group, an Autism Spectrum Group, a Computer Learning Center, and a thrift store. The agency provides independent living services for over 200 people living independently with disabilities.

The Community Housing Improvement Program (CHIP) is assisting the sponsor in the development of this project.

B. Contractor

The sponsor is currently soliciting bids from contractors. Sunseri Construction, Inc. provided the construction estimates used in this report.

C. Architect

The project architect is Nan Jones of David Schleiger, AIA. Their firm is located in Chico.

D. Management Agent

The Management Agent is Community Housing Improvement Program (CHIP). CHIP currently owns and manages 198 units of housing in five projects in Butte and Glenn counties including Turning Point Commons, a CHFA financed project.

Project Summary

Date: 3-Jan-00

Project Profile:

Project :	Longfellow Apartments	*Appraiser:*	Roy K. Oliver, MAI	
Location:	1350 Manzanita Avenue		2067 Moonstone Circle, El Dorado Hill	
	Chico	*Cap Rate:*	8.50%	
County/Zip:	Butte 95926	*Market:*	$	910,000
Borrower:	The ARC of Butte County	*Income:*	$	910,000
GP:	NA	*Final Value:*	$	910,000
LP:	NA			
		LTC/LTV:		
Program:	501©(3) - Special Needs	*Loan/Cost*	49.3%	
CHFA #:	99-031N	*Loan/Value*	85.0%	

Project Description:

Units	24
Handicap Units	0
Bldge Type	Rehab
Buildings	2
Stories	2
Gross Sq Ft	19,344
Land Sq Ft	42,000
Units/Acre	25
Total Parking	24
Covered Parking	24
Special Needs Units	10

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$773,500	$32,229	3.00%	30
City of Chico RDA Loan	$250,000	$10,417	5.00%	30
AHP	$154,000	$6,417	0.00%	30
City of Chico Grant	$373,000	$15,542		
Bank of America Foundation	$5,000	$208		
Income from Operations	$15,000	$625		
CHFA HAT	$0	$0	0.00%	

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	697	3	50% CHFA	$322	$14,600
2 BR	873	7	50% CHFA	$358	$16,425
1 BR	697	3	50% AHP	$342	$14,600
2 BR	873	2	50% AHP	$411	$16,425
1 BR	697	2	80% City	$435	$23,360
2 BR	873	7	80% City	$550	$26,280
		24			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$7,735	Cash
Finance Fee	0.00%	of Loan Amount	$0	Cash
Bond Origination Guarantee	0.00%	of Loan Amount	$0	NA
Rent Up Account	15.00%	of Gross Income	$18,344	Cash or LOC
Operating Expense Reserve	10.00%	of Gross Income	$12,230	Cash or LOC
Marketing	10.00%	of Gross Income	$12230	Cash or LOC
Annual Replacement Reserve Deposit	0.60%	of Hard Costs	$8,250	Operations
Initial Replacement Reserve Deposit	$ 1,000	per unit	$24,000	Cash

Sources and Uses — Longfellow Apartments

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	773,500	48.3%	39.99	32,220
CHFA HAT	0	0.0%	-	0
City of Chico RDA Loan	250,000	15.9%	12.82	10,417
AHP	154,000	0.8%	7.96	6,417
Total Institutional Financing	**1,177,500**	*75.0%*	60.87	49,063
Equity Financing				
City of Chico RDA Grant	373,000	23.8%	19.28	15,542
Bank of America Foundation	5,000	0.3%	0.26	208
Income from Operations	15,000	1.0%	0.78	625
Total **Equity Financing**	**393,000**	**25.0%**	20.32	16,375
TOTAL SOURCES	1,570,500	100.0%	81.19	65,438

USES:

Acquisition	880,000	56.0%	45.48	36,667
Rehabilitation	385,000	24.5%	18.90	16,042
New Construction	0	0.0%	-	0
Architectual Fees	40,700	2.6%	2.10	1,696
Survey and Engineering	3,900	0.2%	0.20	163
Const. Loan Interest & Fees	62,570	4.0%	3.23	2,607
Permanent Financing	15,735	1.0%	0.81	656
Legal Fees	10,000	0.6%	0.52	417
Resetves	36230	2.3%	1.87	1,510
Contract Costs	10,250	0.7%	0.53	427
Construction Contingency	81,115	5.2%	4.19	3,380
Local Fees	2,000	0.1%	0.10	83
TCAC/Other Costs	33,000	2.1%	1.71	1,375
PROJECT COSTS	**1,560,500**	89.4%	**80.67**	65,021
Developer Overhead/Profit	0	0.0%	-	*0*
Consultant/Processing Agent	10,000	0.6%	0.52	417
TOTAL USES	**1,570,500**	**100.0%**	81.19	**65,437**

Annual Operating Budget — Longfellow Apartments

		% of total	$ per unit
INCOME:			
Total Rental Income	120,569	98.6%	5,024
Laundry	1,728	1.4%	72
Other Income	0	0.0%	-
Commercial/Retail	*0*	*0.0%*	-
Gross Potential Income (GPI)	122,297	100.0%	5,096
Less:			
Vacancy Loss	6,115	5.0%	255
Total Net Revenue	116,182	95.0%	4,841
EXPENSES:			
Payroll	7,920	7.5%	330
Administrative	14,800	14.0%	617
Utilities	13,220	12.5%	551
Operating and Maintenance	19,440	18.3%	810
Insurance and Business Taxes	3,315	3.1%	138
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	8,250	7.0%	344
Subtotal Operating Expenses	66,945	63.1%	2,709
Financial Expenses			
Mortgage Payments (1st loan)	39,133	36.9%	1,631
Total Financial	**39,133**	36.9%	1,631
Total Project Expenses	106,078	100.0%	4,420

Cash Flow — Longfellow Apartmei CHFA # 99-031N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	120,569	123,583	126,672	129,839	133,085	136,412	139,822	143,318	146,901	150,574
TOTAL RENTAL INCOME	120,569	123,583	126,672	129,839	133,085	136,412	139,823	143,318	146,901	150,574
OTHER INCOME										
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	1,728	1,763	1,798	1,834	1,870	1,908	1,946	1,985	2,025	2,065
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	1,728	1,763	1,798	1,834	1,870	[illegible]	1,946	1,985	2,025	2,065
GROSS INCOME	22,297	25,345	128,470	131,673	134,956	38,320	141,769	145,303	148,926	152,639
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	6,115	6,267	6,424	6,584	6,748	6,916	7,088	7,265	7,446	7,632
EFFECTIVE GROSS INCOME	116,182	119,078	122,047	125,089	128,208	131,404	134,680	138,038	141,479	145,007
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	58,695	61,042	63,484	66,023	68,664	71,411	74,267	77,238	80,328	83,541
Replacement Reserve	8,250	8,250	8,250	8,250	8,250	8,663	8,663	8,663	8,663	8,663
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	66,945	69,292	71,734	74,273	76,914	80,073	82,930	85,901	88,990	92,203
NET OPERATING INCOME	49,237	49,786	50,313	50,816	51,293	51,331	51,750	52,137	52,489	52,804
DEBT SERVICE										
CHFA - 1st Mortgage	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133
CHFA - HAT										
Other										
CASH FLOW after debt service	10,104	10,652	11,179	11,683	12,160	12,197	12,617	13,004	13,356	13,670
DEBT COVERAGE RATIO	1.26	1.27	1.29	1.30	1.31	1.31	1.32	1.33	1.34	1.35
City Loan	16,105	16,105	16,105	6,105	16,105	16,105	16,105	16,105	16,105	16,105
DCR on City Loan	0.89	0.90	0.91	0.92	0.93	0.93	0.94	0.94	0.95	0.96

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	154,338	157,810	161,361	164,992	168,704	172,500	176,812	181,233	185,764	190,408
TOTAL RENTAL INCOME	154,338	157,810	161,361	164,992	168,704	172,500	176,813	181,233	185,764	190,408
OTHER INCOME										
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	2,106	2,149	2,192	2,235	2,280	2,326	2,372	2,420	2,468	2,517
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	2,106	2,149	2,192	2,235	2,280	2,326	2,372	2,420	2,468	2,517
GROSS INCOME	156,444	159,959	163,553	167,227	170,984	174,826	179,185	183,652	188,232	192,925
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	7,822	7,998	8,178	8,361	8,549	8,741	8,959	9,183	9,412	9,646
EFFECTIVE GROSS INCOME	148,622	151,961	155,375	158,866	162,435	166,084	170,225	174,470	178,820	183,279
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	86,882	90,358	93,972	97,731	101,640	105,706	109,934	114,331	118,904	123,661
Replacement Reserve	9,096	9,096	9,096	9,096	9,096	9,550	9,550	9,550	9,550	9,550
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	95,978	99,453	103,068	106,826	110,736	115,256	119,484	123,882	128,455	133,211
NET OPERATING INCOME	52,644	52,508	52,308	52,039	51,699	50,828	50,741	50,588	50,365	50,068
DEBT SERVICE										
CHFA - 1st Mortgage	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133
CHFA - HAT										
Other										
CASH FLOW after debt service	13,511	13,375	13,174	12,906	12,566	11,695	11,608	11,455	11,2[illegible]	10,935
DEBT COVERAGE RATIO	1.35	1.34	1.34	1.33	1.32	1.30	1.30	1.29	If	1.28
City Loan	16,105	16,105	16,105	16,105	16,105	16,105	16,105	16,105	16,105	16,105
DCR on City	0.95	0.95	0.95	0.94	0.94	0.92	0.92	0.92	0.91	0.91

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	195,168	200,047	205,048	210,174	215,429	220,815	226,335	231,993	237,793	243,738
TOTAL RENTAL INCOME	**195,168**	**200,047**	**205,048**	**210,175**	**215,429**	**220,815**	**226,335**	**231,993**	**237,793**	**243,738**
OTHER INCOME										
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	2,568	2,619	2,671	2,725	2,779	2,835	2,892	2,949	3,008	3,069
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	**2,568**	**2,619**	**2,671**	**2,725**	**2,779**	**2,835**	**2,892**	**2,949**	**3,008**	**3,069**
GROSS INCOME	**197,736**	**202,666**	**207,720**	**212,899**	**218,208**	**223,650**	**229,227**	**234,943**	**240,802**	**246,807**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	9,887	10,133	10,386	10,645	10,910	11,182	11,461	11,747	12,040	12,340
EFFECTIVE GROSS INCOME	**187,849**	**192,533**	**197,334**	**202,254**	**207,298**	**212,467**	**217,765**	**223,196**	**228,762**	**234,466**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	128,607	133,751	139,101	144,665	150,452	156,470	162,729	169,238	176,008	183,048
Replacement Reserve	10,028	10,028	10,028	10,028	10,028	10,529	10,529	10,529	10,529	10,529
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**138,635**	**143,779**	**149,129**	**154,693**	**160,480**	**167,000**	**173,258**	**179,767**	**186,537**	**193,577**
NET OPERATING INCOME	**49,214**	**48,754**	**48,204**	**47,561**	**46,818**	**45,468**	**44,507**	**43,428**	**42,225**	**40,889**
DEBT SERVICE										
CHFA - 1st Mortgage	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133	39,133
CHFA - HAT										
Other										
CASH FLOW after debt service	**10,081**	**9,620**	**9,071**	**8,428**	**7,685**	**6,334**	**5,374**	**4,295**	**3,091**	**1,756**
DEBT COVERAGE RATIO	**1.26**	**1.25**	**1.23**	**1.22**	**1.20**	**1.16**	**1.14**	**1.11**	**1.08**	**1.04**
City Loan	16,105	16,105	16,105	16,105	16,105	16,105	16,105	16,105	16,105	16,105
DCR on City Loan	0.89	0.88	0.87	0.86	0.85	0.82	0.81	0.79	0.76	0.74

Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	249,831	256,077	262,479	269,041	275,767	282,661	289,728	296,971	304,395	312,005
TOTAL RENTAL INCOME	249,831	256,077	262,479	269,041	275,767	282,661	289,728	296,971	304,395	312,005
OTHER INCOME										
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	3,130	3,193	3,256	3,322	3,388	3,456	3,525	3,595	3,667	3,741
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	3,130	3,193	3,256	3,322	3,388	3,456	3,525	3,595	3,667	3,741
GROSS INCOME	252,961	259,270	265,736	272,363	279,155	286,117	293,253	300,567	308,063	315,746
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	12,648	12,963	13,287	13,618	13,958	14,306	14,663	15,028	15,403	15,787
EFFECTIVE GROSS INCOME	240,313	246,306	252,449	258,745	265,197	271,811	278,590	285,538	292,660	299,959
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	190,370	197,985	205,904	214,140	222,706	231,614	240,879	250,514	260,534	270,956
Replacement Reserve	10,529	10,529	10,529	10,529	10,529	10,529	10,529	10,529	10,529	10,529
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	200,899	208,514	216,433	224,670	233,235	242,143	251,408	261,043	271,064	281,485
NET OPERATING INCOME	39,414	37,792	36,015	34,075	31,962	29,668	27,182	24,495	21,596	18,474
DEBT SERVICE										
CHFA - 1st Mortgage	0	0	0	0	0	0	0	0	0	0
CHFA - HAT										
Other										
CASH FLOW after debt service	39,414	37,792	36,015	34,075	31,962	29,668	27,182	24,495	21,596	18,474
DEBT COVERAGE RATIO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

City Loan
DCR on City Loan

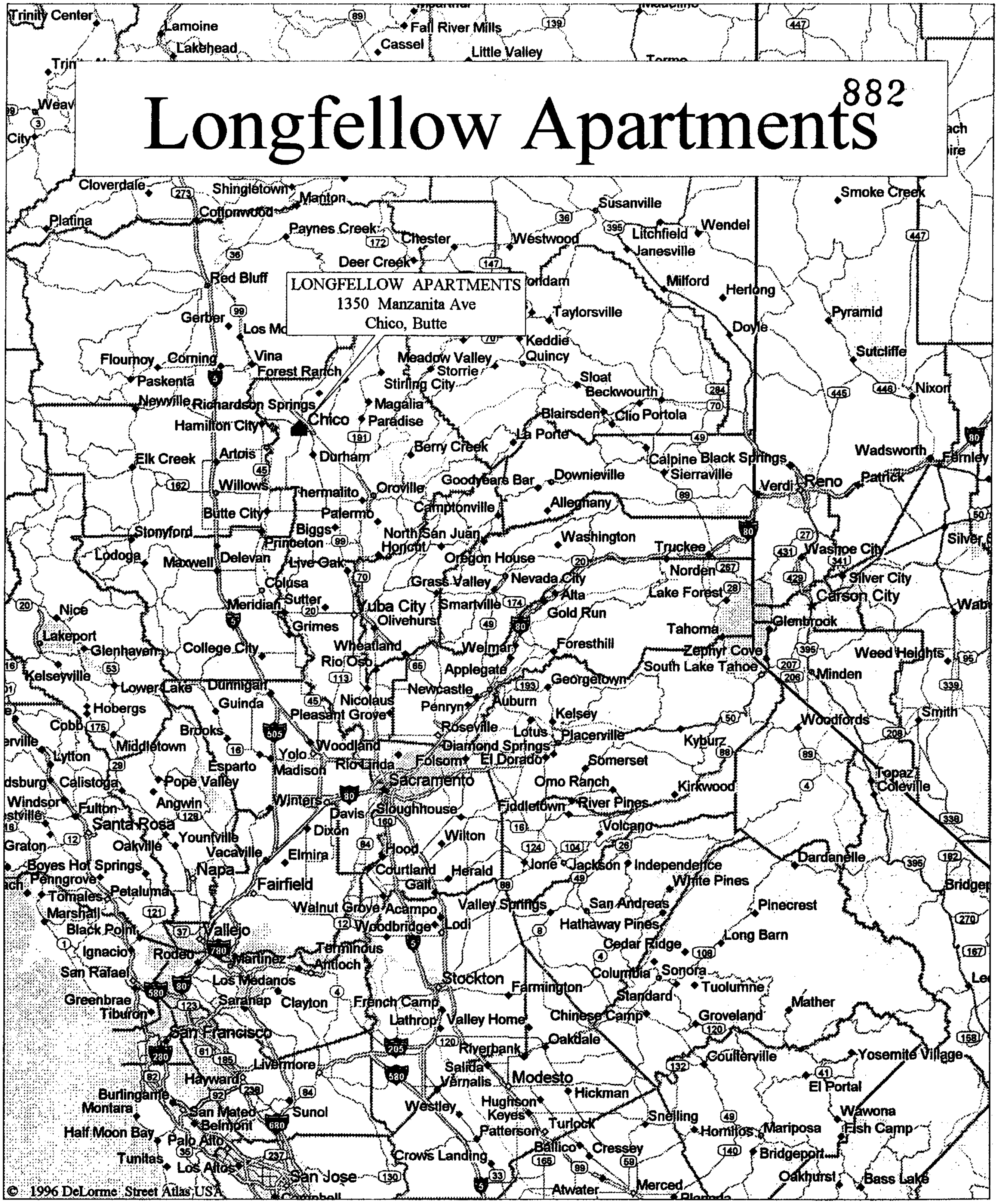
880

THIS PAGE
INTENTIONALLY
LEFT BLANK

a

Longfellow Apartments

882



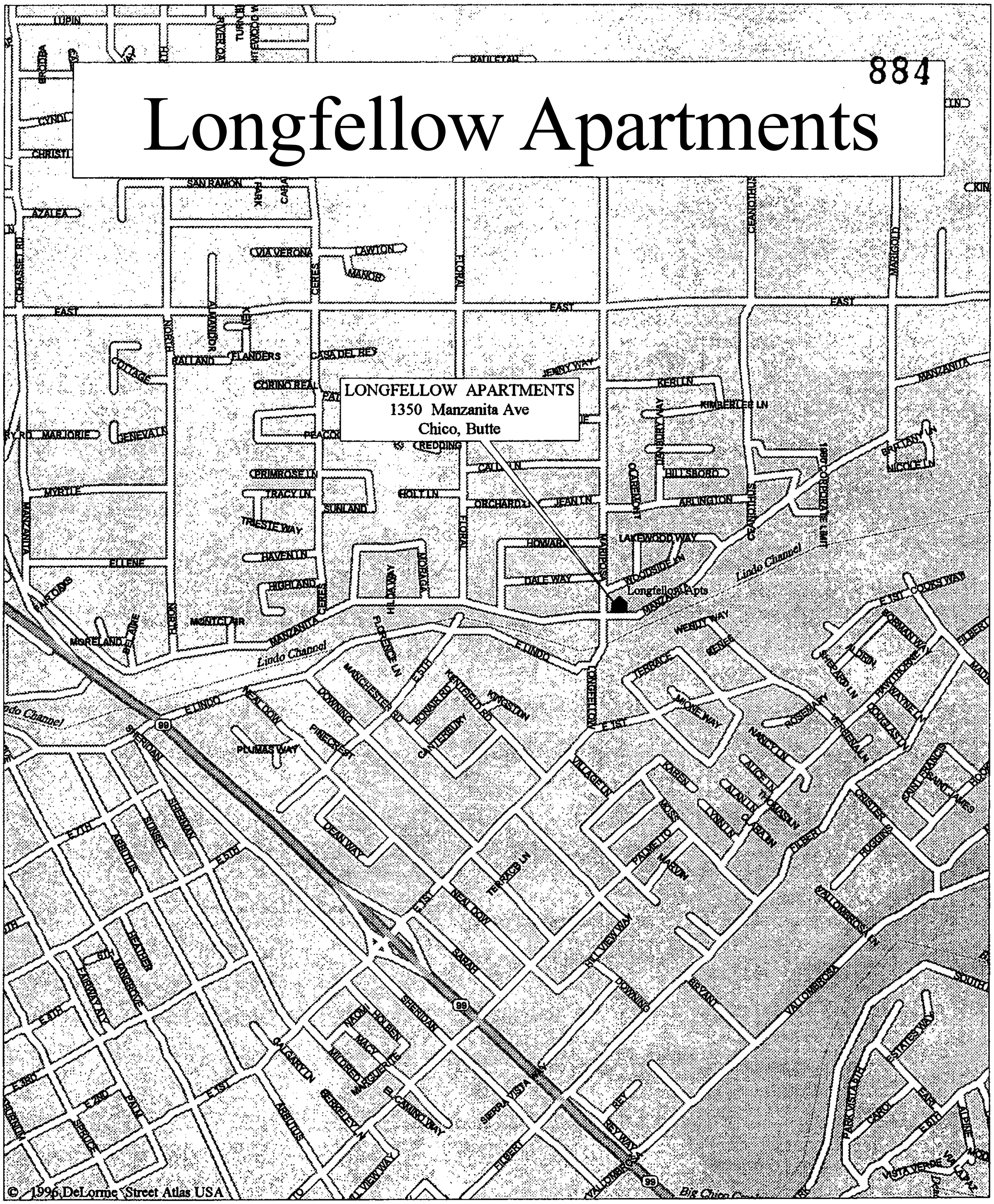
Mag 8.00	Scale 1:2,000,000 (at center)	Major Road
Thu Jan 06 10:10 2000	20 Miles	Major Highway
	50 KM	Interstate/Limited Access

THIS PAGE INTENTIONALLY LEFT BLANK

a

884

Longfellow Apartments



Mag 15.00
Thu Jan 06 09:09 2000

Scale 1:15,625 (at center)
1000 Feet

Local Road
Major Connector

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION *00-02*

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

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

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated January 3, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
99-031-N	Longfellow Apartments Chico/Butte	24	$773,500

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

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

I hereby certify that this is a true and correct copy of Resolution 00-02 adopted at a duly constituted meeting of the Board of the Agency held on January 20, 2000, at Millbrae, California.

ATTEST:________________
Secretary

Amendment to Final Loan Commitment
Detroit Street Apartments
Resolution 99-05

This is a request for a modification of a Final Loan Commitment approved by CHFA Board of Directors for the Detroit Street Apartments, dated January 14, 1999.

Background:

The request for approval of the Final Loan Commitment submitted to the Board of Directors on January 14, 1999 contemplated that the CHFA Deed of Trust be secured by a fee interest in the subject property. A final Loan Commitment was subsequently executed by the Borrower and CHFA reflecting this requirement. Cost increases occurred and the borrower requested an increase in the tax-exempt bridge loan, however, tax-exempt funds were not available. For the project to continue, the tax-credit basis of the development needed to be reduced. A ground lease between the City of West Hollywood and the sponsor would accomplish this objective.

Land owner/ground lessor: City of West Hollywood, a municipal corporation and Detroit Lexington Limited Partnership, a California limited partnership.

Recommendation:

We recommend approving the ground lease for Detroit Street Apartments. Although the leasehold mortgage increases the risk to CHFA due to the change in loan collateral, the strength of the proposed project along with the modified lease structure serves to minimize this risk. This modification allows the construction of the project which was in jeopardy due to increases in construction costs, and an insufficient amount of supplemental tax-exempt bond proceeds.

All other terms and conditions of the final commitment as approved by the Board of Directors remain the same.

THIS PAGE
INTENTIONALLY
LEFTBLANK

Executive Summary

890 . Date: 14-Dec-98

Project Profile:

Project :	Detroit Street Apts.	*Borrower:*	Detroit Lexington L.P.
Location.	1151-1155 Detroit Street	*GP:*	WHCHC
City:	West Hollywood	*LP:*	Inclusive Homes, Inc.
County:	Los Angeles	*Program:*	Tax Exempt
Type:	Family	*CHFA#:*	98-022-S

Financing Summary

	Final	Per Unit
CHFA First Mortgage	$270,000	$27,000
City of West Hollywood (CDBG)	$510,000	$51,000
LA CCDC (HOME)	$642,000	$64,200
Other Loans	$0	$0
Developer Equity	$0	$0
Deferred Developer Equity	$43,435	$4,344
Tax Credits	$421,869	$42,187
CHFA Bridge	$680,000	$68,000
CHFA HAT	$0	$0

Loan to Value
30.9%

Loan to Cost
14.3%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	746	3	50% CHFA	$446	$20,525
2 BR	946	4	50% CHFA	$537	$23,075
3 BR	1,149	1	50% CHFA	$591	$25,650
3 BR	1,149	2	60% TCAC	$616	$30,780
Total		10			

Index:

Section	Page
Narrative	2
Project Summary	8
Project Profile	
Reserve Requirements	
Unit Mix and Income	
Source and Uses of Funds	9
Operating Budget	10
Project Cash Flows	11
Location Maps (area and site)	12

THIS PAGE INTENTIONALLY LEFT BLANK

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Detroit Street Apartments

CHFA Ln. # 98-022-S

SUMMARY:

This is a Final Commitment request for two loans totaling $950,000. The first mortgage in the amount of **$270,000,** is fully amortized over 30 years. The second loan is a $680,000 tax-credit bridge loan, fully amortized over one year. The project is Detroit Street Apartments, a proposed 10-unit apartment complex located at **1151-1155 N.** Detroit Street in West Hollywood, in Los Angeles County.

LOAN TERMS:

1st Mortgage Amount:		**$950,000**
	A.	**$270,000**
	B.	**$680,000**
Interest Rate:	5.90%	
Term:	A.	30 year fixed, fully amortized
	B.	1 year bridge loan
Financing:	Tax-Exempt	
Additional Collateral:	A Letter of Credit acceptable to the Agency will be required for loan amounts in excess of 85% Loan to Value.	

LOCALITY INVOLVEMENT:

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
City of West Hollywood (CDBG)	$510,000	residual receipts, simple interest	40	3.00%
LA CCDC (HOME)	$642,000	residual receipts, simple interest	40	3.00%

The City of West Hollywood (We City") *approved* a density bonus and waived several development **standards** which are discussed in greater detail below. The City has **required** that **two** parking spaces be reserved for visitors.

871

893

The CHFA tax credit bridge loan and interest charged on the loan are typically repaid from the proceeds of the tax credit allocation. Then is a shortfall on this project that will be covered from the money provided by the City. The City provided CHFA with a letter, dated December 21, 1998 confirming that they will withhold from loan proceeds the money needed to pay off the bridge loan.

MARKET:

A. Market Overview:

Currently, there is a seven to ten-year wait for the Section 8 Housing Assistance Payments Program. The waiting list is closed to new applications and for low-income families needing two-bedroom units there is a nine-year wait. No three-bedroom inclusionary apartment units exist and there are no new apartments under construction.

The project is pan of the Redevelopment Plan for the East Side Project Area that was adopted on June 2, 1997. The 388-acre redevelopment project is overseen by an elected Project Area Committee, a group of residents, property owners, community representatives and business owners. During the first year of this plan, CDGB money was used to improve the exterior of six residential properties; the City made a loan to renovate a four-plex and twenty (20) new apartments (including the ten proposed on this site) are being constructed by West Hollywood Community Housing Corporation ("the WWCHC").

Twenty-one (21) new trees and new parkway strips were planted in the Detroit-Formosa neighborhood. The City's newest community garden also opened nearby. The La Brea Gateway project at the southwest comer of Santa Monica Boulevard and La Brea Avenue is in the planning stages. It is a 7¾ acre project that is intended to include neighborhood services and retail opportunities not currently available, however, further details are not available at this time. The six finalists have been selected and a decision is expect by year-end 1998.

B. Market Demand:

In the 1998-2003 Consolidated Plan for tbe Los Angeles Urban County ("the Plan") dated April 14, 1998, Los Angeles County ("the County") acknowledged a crisis in housing affordability. According to the Plan, 44% of the City's population are in a low to moderate income category. Approximately 24,300 additional affordable units are required to fill the affordable housing need far families countywide.

The April, 1998 Community Needs Assessment prepared for the City indicates that the majority of the City's low-income families live in retail housing in the immediate area of the project.

C. Housing Supply:

A 1998 market survey commissioned by the City of West Hollywood as part of their Community Needs Assessment indicated that 65% of the housing in West Hollywood was either an apartment or duplex and that 72% of households rent. Of the 65% of rental housing stock, 63% of respondents said they rented their property without any form of subsidy.

Approximately 50% of the City's bousing stock (23,821 units in 1990) was constructed pnor to 1959. The composition of the bousing stock is as follows: 52% (12,387 units) are one-bedroom and 33% (715 units) are two-bedroom. Almost 88% (20,746 units) of all housing is multifamily with a median monthly rent of $608. There is a 1.4% vacancy rate for all housing units in the City.

PROJECT FEASIBILITY:

A. Capture Rate in Primary Market Area ("PMA"):

The project borders both the City of North Hollywood and the City of Los Angeles, all densely populated areas with high percentages of rental households. Due to the low vacancy levels in these areas, the Capture Rate is estimated at less than 1%.

B. Rent Differentials (Market vs. Restricted):

Rent Level	Subject Project	Mkt. Rate Avg.	Difference	Percent
One bedroom				
50%	$446	$775	($329)	68%
"	N/A		N/A	N/A
Two Bedroom				
50%	$575	$900	($325)	64%
60%	N/A		N/A	N/A
Three Bedroom				
50%	$591	$1,050	($459)	56%
60%	$616		($434)	59%

C. Estimated Lease-Up Period:

The units for this project are generally comparable with the market rate product available, with two exceptions. W e the two-bedroom units *in* the market have *two* baths, the project's two bedroom units have only one bath. The units at the project are larger than many other two-bedroom units. Dishwashers are available only in the three bedroom units at the project. Almost all market rate units include dishwashers in all their units.

In spite of these differences, this project meets the needs of small and large families in the West Hollywood market area. The bottom line is that there is little to no vacancy in the area. Given the cumnt vacancy rates and severe shortage of three bedroom rental units in the surrounding area, it is anticipated that the project can be fully pre-leased, with full occupancy within 30 days of completion.

PROJECT DESCRIPTION:

A. Site Design:

Resolution No. PC97-127 ("the Resolution") was passed by the City on June S, 1997. The Resolution approved a density bonus of one unit, allowing ten units on the site. In addition, the Resolution approved a waiver from several development standards including: increased building height (32'8 for the first 45 feet of parcel depth, instead of the 25 feet permitted); a reduced setback (5 feet off of Lexington Avenue instead of 15 feet); an encroachment into the side and rear yards by the garage (by four feet); a transformer situated in a required yard; an encroachment into the rear yard by 12 feet by the stairway (instead of the four feet permitted); a handicapped ramp (normally not permitted in a yard); and the lack of an entrance off of Lexington Avenue.

B. Project Location:

The land is zoned R3C, which permits nine units of multifamily housing. The site is approximately 10,600 square foot and is irregularly shaped. The site consists of *two* lots: one with two vacant detached single-family homes; the other a vacant lot. The homes have been demolished and the lots will be combined prior to the construction start date.

The site is located on the west side of N. Detroit Street, southwest of Lexington Avenue and one block north of Santa Monica Boulevard. Two blocks to the north is Sunset Boulevard and one block to the east is La Brea Avenue.

The unit mix of the ten flats consists of 3 one-bedroom, one-bath Units (746 sq. feet), 4 two-bedroom, one-bath units (946 sq. feet) and 3 three-bedroom, two-bath units (1,149 *sq.* feet). All units are quipped with the following amenities: a garbage disposal, window blinds, an underground parking space with overhead storage and a private patio or balcony. The three-bedroom, two-bath units include a dishwasher. The exterior curb appeal includes customized sills and awnings with pergolas and exposed roof rafters.

Laundry facilities are located on the third floor and can be *accessed* by either stairs or an elevator. Open space for adults and children is located on the ground level and on the third floor. Underground parking includes sixteen (16) parking spaces with elevator access. The entire project is handicapped accessible. A security fence surrounds the perimeter of the site with a controlled pedestrian entryway. A part-time resident manager will occupy a one-bedroom unit.

C. Project Location:

The City is approximately 1.9 square miles in size. It is bound by the Cities of Los Angeles and Beverly Hills and has a cumnt population of 36,118.

Directly to the north of the project is a vacant lot to be developed by the same borrower. Older single-family homes, duplexes and small to medium sized apartment complexes surround the site. A new Ralph's Supermarket is one block to the northeast. A McDonald's is one block to the southeast and older commercial space is further south from McDonald's. The project is close to public transportation, a public park, schools and medical facilities.

OCCUPANCY RESTRICTIONS:

CHFA: *20%* of the units (2) will be restricted to *50%* or less of median income.

CDBG: 100% of the units (10) will be restricted to 100% or less of median income. Of those 10 units, 2 are restricted to 50% or less of median income and an additional 3 are restricted to *80%* or less of median income.

LACDC: 100% of the units (10) will be restricted to 50% or less of the HUD HOME Program income limits.

TCAC 100% of the units (10) will be restricted to 60% or less of median income.

Although the rent restrictions on this project vary, the rents listed in the Final Commitment comply with all of the rent restrictions referenced above.

VIR(

CHFA received a Phase I-Environmental Assessment Report prepared by SCS Engineers and dated July 1997. *An* updated Phase I dated November 24,1998 and a Reliance Letter also dated November 24,1998 and also prepared by SCS Engineers have been received. No adverse conditions wen noted.

ARTICLE 34:

According to the Office of County Counsel, County of Los Angeles and City Attorney of the City, Article 34 approval was satisfied with the passage of Proposition D. Proposition

D authorized the County to acquire, develop and construct low-rent housing for senior citizens handicapped and families within the unincorporated area of Los Angeles County, which included West Hollywood at the time. Upon its incorporation on November 29, 1984, the City assumed the rights and obligations formerly held by the County and the Housing Authority of the County of Los Angeles for the territory within its boundaries.

DEVELOPMENT TEAM.

A. Borrower's Profile

The Borrower is Detroit Lexington Limited Partnership, a California limited partnership. The general partner is WHCHC, a non-profit housing development organization. The initial limited partner is Inclusive Homes, Inc., a California corporation who will be replaced at a later date by an investor.

WHCHC's mission is to purchase, build, rehabilitate, manage and advocate for affordable housing for lower-income people in the City. WHCHC was formed in 1986 as a direct response to the City's housing task force recommendation and they tent to people whose income is no more than 60% AMI. Paul Zimmerman is the Executive Director.

B. Contractor

WHCHC is in the process of selecting a contractor. Preliminary cost estimates are based upon WHCHC's other new construction costs in the City.

C. Architect

Killefer Flammang Purtill Architects began in 1975 and includes fifteen (15) employees on staff. Their area of expertise is in the construction or rehabilitation of low-income housing projects throughout California, including multi-family, seniors, SRO's, housing for people with AIDS and transitional housing. To date, they have provided architectural services involving the construction or rehabilitation of 16 multifamily projects.

D. Management Agent

WHCHC will self-manage the project. WHCHC has completed construction or rehabilitation on seven projects, totaling 120 apartment units that they also manage.

Project Summary

Date: 14-Dec-98

Project Profile:

Project :	Detroit Street Apts.	*Appraiser:*	Dennis Cunningham
Location:	1151-1155 Detroit Street		Dennis Cunningham
	West Hollywood	*Cap Rate:*	8.00%
unty/Zip:	LA. 90046	*Market:*	$ 900,000
Borrower:	Detroit Lexington L.P.	*Income:*	$ 896,000
GP:	WHCHC	*Final Value:*	$ 900,000
LP:	Inclusive Homes, Inc.		
		LTC/LTV:	
Program:	Tax Exempt	*Loan/Cost*	14.3%
CHFA #:	98-022-S	*Loan/Value*	30.0%

Project Description:

Units	10
Handicap Units	1
Bldge Type	New Coast.
Buildings	1
Stories	3
Gross Sq Ft	17,305
Land Sq Ft	10,456
Units/Acre	42
Total Parking	16
Covered Parking	16

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$270,000	$27,000	5.90%	30
City of West Hollywood (CDBG)	$510,000	$51,000	3.00%	40
LA CCDC (HOME)	$642,000	$64,200	3.00%	40
Other Loans	$0	$0		
Developer Equity	$0	$0		
Tax Credit Equity	$421,869	$42,187		
Deferred Developer Fee	$43,435	$4,344		
CHFA Bridge	$680,000	$68,000	5.90%	1
CHFA HAT	$0	$0	0.00%	

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	746	3	50% CHFA	$446	$20,525
2 BR	946	4	50% CHFA	$537	$23,075
3 BR	1,149	1	50% CHFA	$591	$25,650
3 BR	1,149	2	60% TCAC	$616	$30,780
Total		10			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$9,500	Cash
Finance Fee	1.00%	of Loan Amount	$9,500	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$9,500	Letter of Credit
Rent Up Account	15.00%	of Gross Income	$8,610	Letter of credit
Operating Expense Reserve	10.00%	of Gross Income	$6,407	Letter of Credit
Marketing	10.00%	of Gross Income	$6,407	Letter of Credit
Annual Replacement Reserve Deposit	0.60%	of Hard Costs	$3,766	Operations

Sources and Uses — Detroit Street Apts.

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	270,000	14.31%	15.60	27,000
CHFA Bridge	0	0.00%	-	0
CHFA HAT	0	0.00%	-	0
City of West Hollywood (CDBG)	510,000	27.02%	29.47	61,000
LA CCDC (HOME)	642,000	34.02%	57.10	64,200
Other Loans	0	0.00%	-	0
Total Institutional Financing	**1,422,000**	**75.35%**	**82.17**	**142,200**
Equity Financing				
Tax Credits	421,869	22.35%	24.38	42,187
Deferred Developer Equity	43,435	2.30%	2.51	4,344
Total Equity **Financing**	**465,304**	**24.65%**	**26.89**	**46,530**
TOTAL SOURCES	1,887,304	100.00%	109.06	188,730

USES:

Acquisition	272,000	14.41%	15.72	'27,200
Rehabilitation	0	0.00%	-	0
New Construction	974,364	51.63%	56.31	97,436
Architectual Fees	70,000	3.71%	4.05	7,000
Survey and Engineering	6,200	0.33%	0.56	620
Const. Loan Interest & Fees	71,569	8.79%	4.14	7,157
Permanent Financing	68,620	5.11%	3.39	5,862
Legal Fees	15,000	0.79%	0.87	1,500
Reserves	22,424	1.19%	1.30	2,242
Contract Costs	5,500	0.29%	0.32	550
Construction Contingency	87,076	4.61%	5.03	8,708
Local Fees	55,627	2.95%	8.21	5,563
TCAC/Other Costs	57,737	2.00%	2.18	3,774
PROJECT **COSTS**	1,676,117	88.81%	96.86	167,612
Developer Overhead/Profit	138,000	7.31%	7.07	13,800
Consultant/Processing Agent	73,187	3.88%	4.23	7,319
TOTAL **USES**	1,887,304	100.00%	109.06	188,730

Annual Operating Budget — Detroit Street Apts.

		% of total	$ per unit
INCOME:			
Total Rental Income	63,708	99.4%	6,371
Laundry	360	0.6%	36
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**64,068**	**100.0%**	6,407
Less:			
Vacancy Loss	3,203	5.0%	520
Total Net Revenue	**60,865**	**95.0%**	6,086
EXPENSES:			
Payroll	2,400	4.3%	240
Administrative	9,707	17.5%	971
Utilities	5,040	9.1%	504
Operating and Maintenance	10,680	19.3%	1,068
Insurance and Business Taxes	3,741	6.7%	374
Taxes and Assessments	911	1.6%	91
Reserve for Replacement Deposits	3,766	6.8%	377
Subtotal Operating Expenses	**36,245**	**65.4%**	**3,624**
Financial Expenses			
Mortgage Payments (1st loan)	19,218	34.6%	1,922
Total Financial	19,218	34.6%	1,922
Total Project Expenses	55,463	100.0%	5,546

Cash Flow

Detroit Street Apts CHFA # 98-022-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	63,708	65,301	66,933	68,607	70,322	72,080	73,882	75,729	77,622	79,563
TOTAL RENTAL INCOME	63,708	65,301	66,933	68,607	70,322	72,080	73,882	75,729	77,622	79,563
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	360	369	378	388	397	407	417	428	439	450
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	360	369	378	388	397	407	417	428	439	450
GROSS INCOME	64,068	65,670	67,311	68,994	70,719	72,487	74,299	76,157	78,061	80,012
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	3,203	3,283	3,366	3,450	3,536	3,624	3,715	3,808	3,903	4,001
EFFECTIVE GROSS INCOME	60,865	62,386	63,946	65,545	67,183	68,863	70,584	72,349	74,158	76,012
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	31,568	32,831	34,144	35,510	36,930	38,408	39,944	41,542	43,203	44,932
Replacement Reserve	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	911	929	948	967	986	1,006	1,026	1,046	1,067	1,089
TOTAL EXPENSES	36,245	37,526	38,858	40,242	41,682	43,179	44,736	46,354	48,036	49,786
NET OPERATING INCOME	24,620	24,860	25,088	25,302	25,501	25,684	25,849	25,995	26,121	26,226
DEBT SERVICE										
CHFA - 1st Mortgage	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218
CHFA - Bridge Loan	720,120	0	0	0	0					
CHFA - HAT Loan	0	0	0	0	0					
CASH FLOW after debt service	5,402	5,643	5,871	6,084	6,283	6,466	6,631	6,777	6,904	7,008
DEBT COVERAGE RATIO	1.28	1.29	1.31	1.32	1.33	1.34	1.35	1.35	1.36	1.36

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	81,552	83,590	85,680	87,822	90,018	92,268	94,575	96,939	99,363	101,847
TOTAL RENTAL INCOME	**81,552**	**83,590**	**85,680**	**87,822**	**90,018**	**92,268**	**94,575**	**96,939**	**99,363**	**101,847**
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	461	472	484	496	509	521	534	548	561	576
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	**461**	**472**	**484**	**496**	**509**	**521**	**534**	**548**	**561**	**576**
GROSS INCOME	**82,012**	**84,063**	**86,164**	**88,318**	**90,526**	**92,790**	**95,109**	**97,487**	**99,924**	**102,422**
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	4,101	4,203	4,308	4,416	4,526	4,639	4,755	4,874	4,996	5,121
EFFECTIVE GROSS INCOME	**77,912**	**79,860**	**81,856**	**83,903**	**86,000**	**88,150**	**90,354**	**92,613**	**94,928**	**97,301**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	46,729	48,598	50,542	52,564	54,666	56,853	59,127	61,492	63,952	66,510
Replacement Reserve	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,111	1,133	1,155	1,178	1,202	1,226	1,251	1,276	1,301	1,327
TOTAL EXPENSES	**51,605**	**53,496**	**55,463**	**57,508**	**59,634**	**61,844**	**64,143**	**66,533**	**69,018**	**71,602**
NET OPERATING INCOME	**26,307**	**26,363**	**26,393**	**26,395**	**26,366**	**26,306**	**26,211**	**26,080**	**25,910**	**25,699**
DEBT SERVICE										
CHFA - 1st Mortgage	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	**7,089**	**7,146**	**7,176**	**7,177**	**7,149**	**7,088**	**6,993**	**6,862**	**6,692**	**6,481**
DEBT COVERAGE RATIO	**1.37**	**1.37**	**1.37**	**1.37**	**1.37**	**1.37**	**1.36**	**1.36**	**1.35**	**1.34**

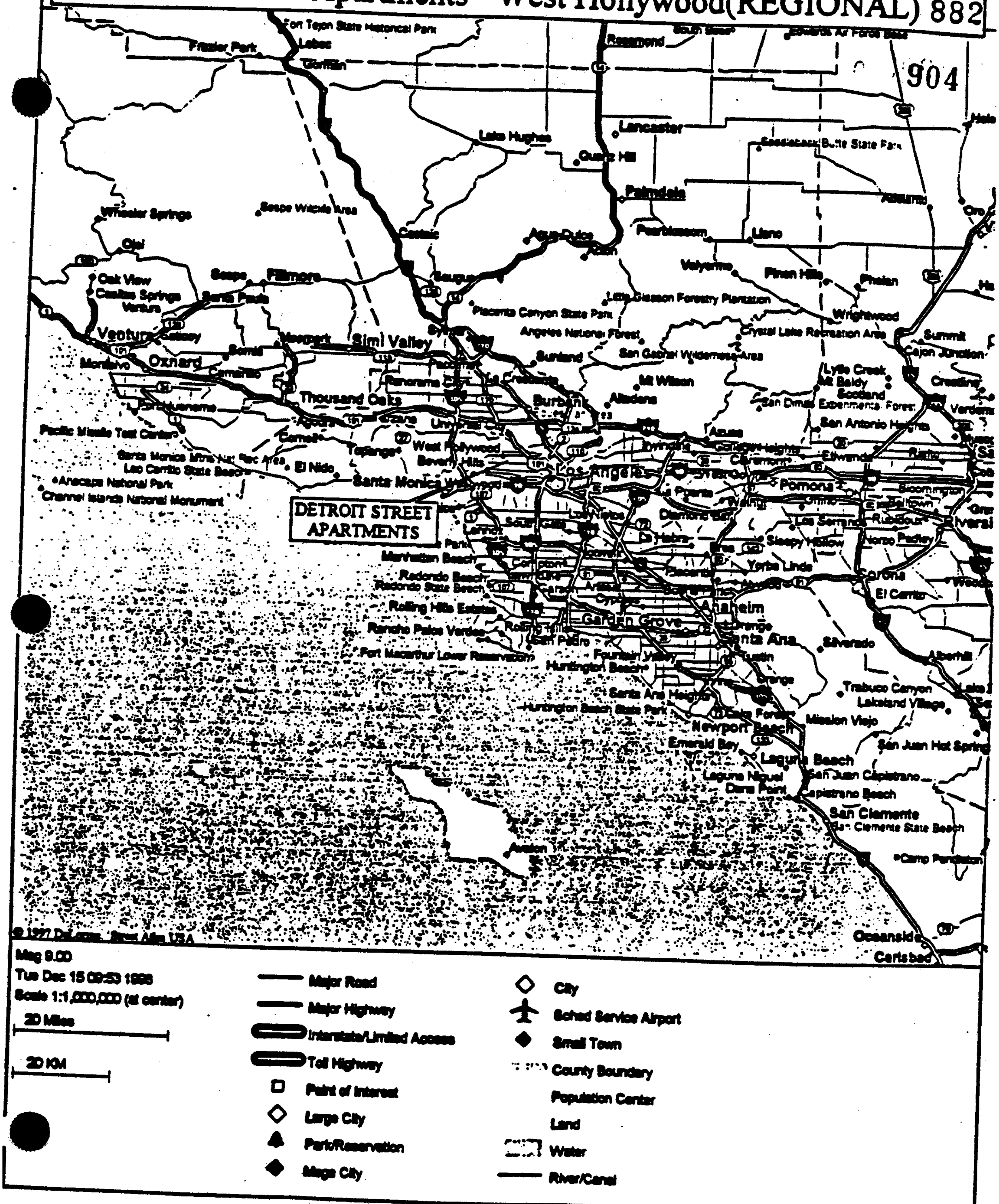
902
880

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	104,393	107,003	109,678	112,420	115,230	118,111	121,064	124,090	127,193	130,373
TOTAL RENTAL INCOME	**104,393**	**107,003**	**109,678**	**112,420**	**115,230**	**118,111**	**121,064**	**124,090**	**127,193**	**130,373**
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	590	605	620	635	651	667	684	701	719	737
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	**590**	**605**	**620**	**635**	**651**	**667**	**684**	**701**	**719**	**737**
GROSS INCOME	**104,983**	**107,607**	**110,298**	**113,055**	**115,881**	**118,779**	**121,748**	**124,792**	**127,911**	**131,109**
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	5,249	5,380	5,515	5,653	5,794	5,939	6,087	6,240	6,396	6,555
EFFECTIVE GROSS INCOME	**99,734**	**102,227**	**104,783**	**107,402**	**110,087**	**112,840**	**115,661**	**118,552**	**121,516**	**124,554**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	69,170	71,937	74,814	77,807	80,919	84,156	87,522	91,023	94,664	98,451
Replacement Reserve	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766	3,766
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,354	1,381	1,408	1,437	1,465	1,495	1,524	1,555	1,586	1,618
TOTAL EXPENSES	**74,289**	**77,083**	**79,988**	**83,009**	**86,150**	**89,416**	**92,812**	**96,344**	**100,016**	**103,834**
NET OPERATING INCOME	**25,444**	**25,144**	**24,794**	**24,393**	**23,937**	**23,423**	**22,848**	**22,208**	**21,500**	**20,720**
DEBT SERVICE										
CHFA - 1st Mortgage	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218	19,218
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	**6,227**	**5,926**	**5,577**	**5,176**	**4,720**	**4,206**	**3,631**	**2,991**	**2,283**	**1,502**
DEBT COVERAGE RATIO	**1.32**	**1.31**	**1.29**	**1.27**	**1.25**	**1.22**	**1.19**	**1.16**	**1.12**	**1.08**

Detroit Street Apartments - West Hollywood(REGIONAL) 882

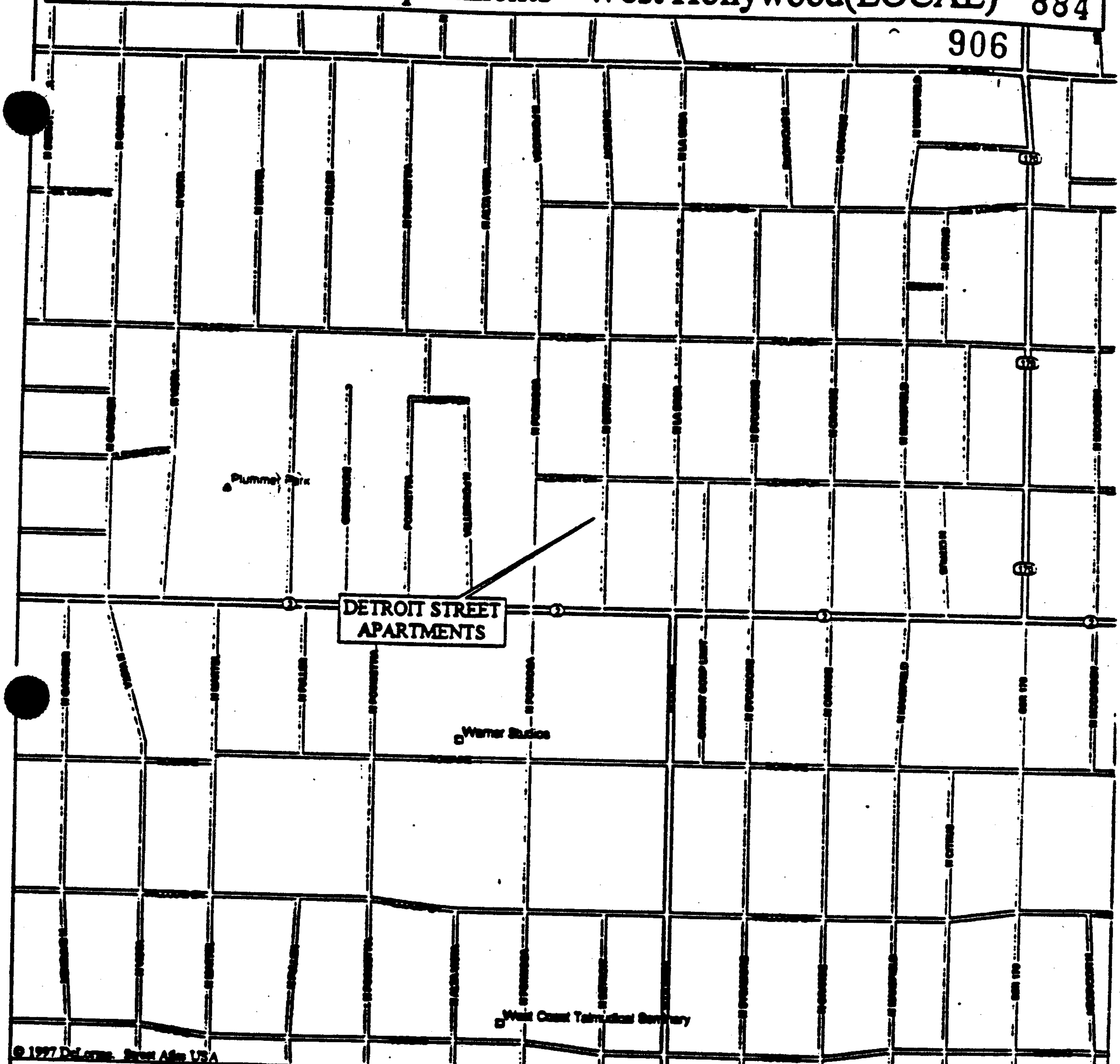
904



THIS PAGE
INTENTIONALLY
LEFT BLANK

Detroit Street Apartments - West Hollywood(LOCAL) 884

906



Mag 16.00
Tue Dec 15 12:40 1998
Scale 1:7,812 (at center)

500 Feet

200 Meters

Local Road
Major Connector
State Route
Point of Interest
Park/Reservation

885

907

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 99-05

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Detroit Lexington Limited Partnership, a California limited partnership, (the "Borrower"), seeking a loan commitment under the Agency's Tax Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan for a development to be known as Detroit Street Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated December 14, 1998 (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 has exercised the authority delegated to him/her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
98-022-S	Detroit Street Apartments west Hollywood/Los Angeles	10	$950,000

Resolution 99-05
Page2

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 modify the mortgage mount so stated in this resolution by an mount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including changes in aggregate mortgage amount of more than seven percent (7%), must be submitted to the Board for approval. "Material modifications" as used herein means modifications which, in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in 8 substantial way.

I hereby certify that this is a true and correct copy of Resolution 99-05 adopted at a duly constituted meeting of the Board of the Agency held on January 14, 1999, at Millbrae, California.

ATTEST:_______________
Secretary

RESOLUTION 00-03

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Detroit Lexington Limited Partnership, a California limited partnership, (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan for a development to be known as Detroit Street Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated January 3, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

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

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
98-022-S	Detroit Street Apartments West Hollywood/Los Angeles	10	$950,000

Resolution 00-03
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 00-03 adopted at a duly constituted meeting of the Board of the Agency held on January 20, 2000, at Millbrae, California.

ATTEST:________________
Secretary

MEMORANDUM

To: CHFA Board of Directors Date: January 6, 2000

From: G Richard Schermerhorn, Director of Programs
CALIFORNIA HOUSING FINANCE AGENCY

Subject: FY 1999/2000 Business Plan Modification

This is a request to modify the 1999/2000 CHFA Five Year Business Plan by reallocating the total $25 million of Housing Assistance Trust (HAT) funds for the Single Family Housing Assistance Program (CHAP) from a $5 million annual allocation to a $25 million allocation for the two firscal years 1999/2000 and 2000/2001.

BACKGROUND

Included in the 1999/2000 CHFA Five Year Business Plan approved by the Board at the May 1999 meeting was a $25 million allocation of HAT funds ($5 million annually) for CHFA's Housing Assistance Program (shown as Single Family Mortgage Assistance on the attached TABLE II - PLAN SUMMARY).

These funds are utilized for 3%, interest deferred, second mortgage down payment assistance loans in combination with our 97% first mortgage loan product. The resulting 100% loan product was initially developed as a means to assist our efforts in achieving one of our single family objectives - equitable distribution of available resources throughout the state. The CHAP loans are targeted to those counties where our single family loan program activity is disproportionately low.

We initiated the program in FY 1997/98, and it was an immediate success, particularly in Los Angeles County, which has nearly 29% of the state's population and where we were doing about 9% of our business. We are now doing abut 25% of our single family loan business in Los Angeles County, primarily due to CHAP.

We continued this program this fiscal year both as a means of assisting our equitable distribution goal and to support our $1 billion production goal. We are substantially on target to achieve this fiscal year's production objective with 40% of the single family loan purchases being CHAP loans.

ISSUE

The attached chart "CHAP Seconds Production" graphically illustrates the issue. We had planned on fully utilizing $5 million of mortgage assistance funds for CHAP loans over a 12 month period, but demand has been greater than expected. We have virtually expended this fiscal year's allocation within the first six months of the year. At our current pace, loan demand would approximate $12.5 to $13 million of second loan activity.

ALTERNATIVES

We have considered three alternatives:

- to suspend or substantially modify the down payment assistance program:

  A suspension of the program would freeze the use of funds at slightly over the budgeted amount and would likely impact our current production volume by at least 25%. A substantial modification of the program such as limiting it to lower income levels would still require some additional funding allocation and would proportionally impact our production.

- to reprogram HAT funds from another program area:

  The potential source for re-allocation of HAT funds for this purpose would come primarily from multifamily support programs. Although achievable, it would potentially impact our preservation financing efforts since most of the MF HAT fund programs are for transition loan and tax credit bridge loan support.

- to compress the planned five year program into a two year period:

  This would allow the single family program to stay on course towards its production and distribution objectives. It would also give us time to re-assess CHFA's continued long term financial support of this program in the context of both the upcoming Five Year Business Plan discussions and the potential development of other sources of down payment assistance funds such as state funding.

RECOMMENDATION

We are recommending the Board approve a modification to the FY 1999/2000 Five Year Business Plan to reallocate the $25 million program availability to a two year period - FY 1999/2000 and FY 2000/2001. We believe this would be least disruptive in the near term to all of the programs in the Business Pian, and allow for a full evaluation of this program in the context of next year's Business Plan.

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

HOUSING PROGRAMS

	1999/00	2000/01	2001/02	2002/03	2003/04	5 Yr Total
SINGLE FAMILY PROGRAMS**						
Single Family Bond Funded Programs						
Single Family Mortgage Program	$1,000.0	$1,000.0	$1,000.0	$1,000.0	$1,000.0	$5,000.0
Single Family HAT Programs'						
-Self Help Builder Assistance	2.0	2.0	2.0	2.0	2.0	10.0
-Single Family Mortgage Assistance	5.0	5.0	5.0	5.0	5.0	25.0
Total Single Family HAT Programs	$7.0	$7.0	$7.0	$7.0	$7.0	S35.0
Other Programs Administered by Agency						
School Facility Fees Down Payment Assistance Program	$27.0	$27.0	$27.0	$13.5	$0.0	s94.5
Total Single Family Programs	$1,034.0	$1,034.0	$1,034.0	$1,020.5	$1,007.0	$5,129.5
MULTIFAMILY PROGRAMS(b)						
Bond Financed Programs						
-New Construction	$70.0	$70.0	$70.0	$70.0	$70.0	$350.0
-Acquisition/Rehab	30.0	30.0	30.0	30.0	30.0	150.0
-Special Needs Program	6.0	6.0	6.0	6.0	6.0	30.0
-Housing Preservation	20.0	20.0	20.0	20.0	20.0	100.0
Total Bond Financed Programs	$126.0	$126.0	$126.0	$126.0	$126.0	$630.0
Multifamily HAT Programs						
-LIHTC Bridge Loan Program	$5.0	$5.0	$5.0	$5.0	$5.0	$25.0
-State Local MF Affordability Program	5.0	5.0	5.0	5.0	5.0	25.0
-Preservation Subsidy Loan Program	15.0	15.0	15.0	15.0	15.0	75.0
-Pre-Development Loan Program	2.5	2.5	2.5	2.5	2.5	12.5
-Special Needs Program Subsidy	1.5	1.5	1.5	1.5	1.5	7.5
-HELP Program	20.0	20.0	20.0	20.0	20.0	100.0
-Small Business Development	2.0	2.0	2.0	2.0	2.0	10.0
Total	$51.0	$51.0	$51.0	$51.0	$51.0	$255.0
Other Programs Administered by the Agency						
-School Facility Fees Rental Assistance Program	$13.0	$13.0	$13.0	$6.5	$0.0	$45.5
Total Multifamily Programs	$190.0	$190.0	$190.0	$183.5	$177.0	$930.5
TOTAL HOUSING PROGRAMS	$1,224.0	$1,224.0	$1,224.0	$1,204.0	$1,184.0	$6,060.0

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

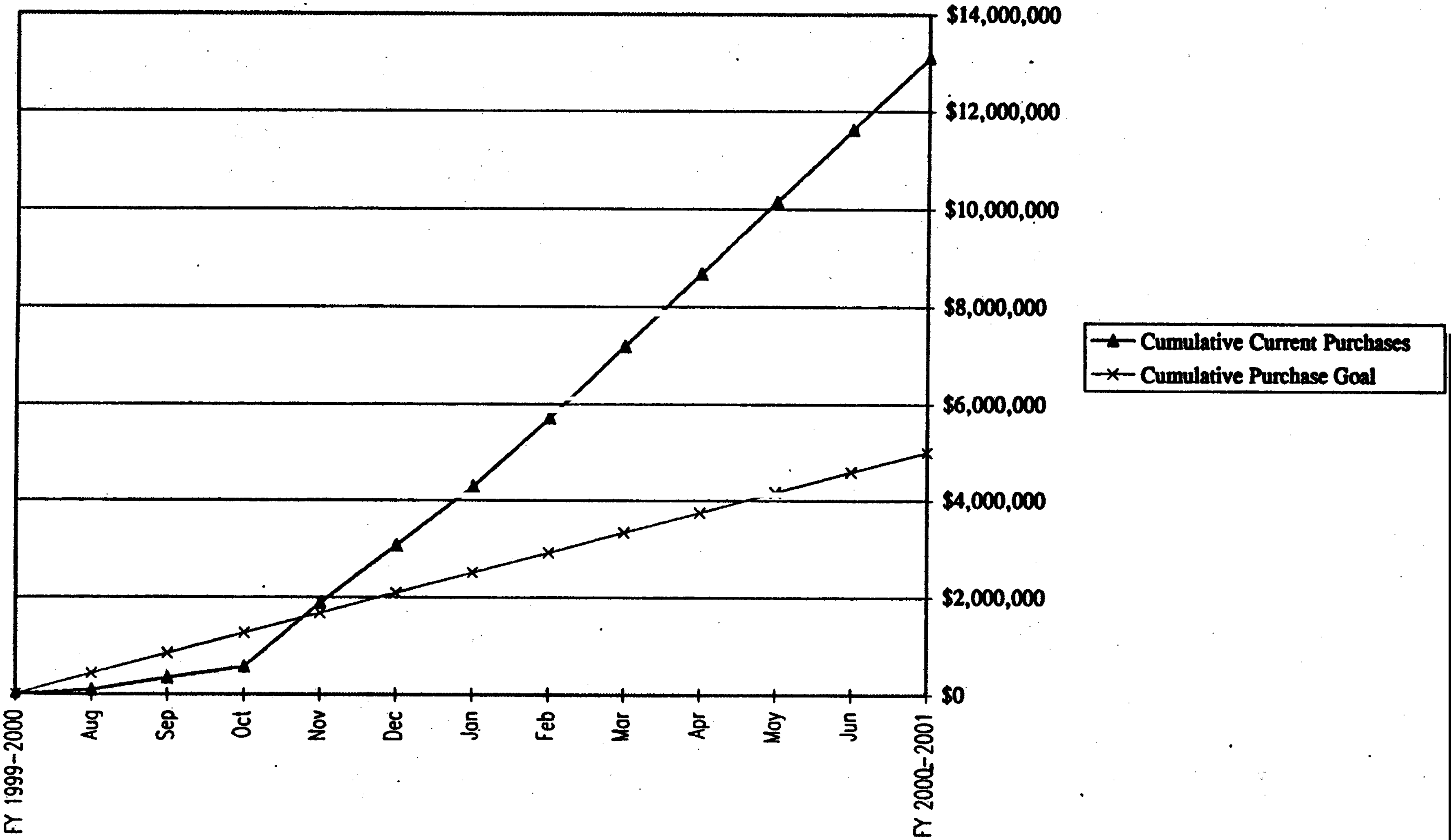
CALIFORNIA HOUSING FINANCE AGENCY
1999/00 to 2003/04 BUSINESS PLAN
TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions of dollars)

HOUSING PROGRAMS

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

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

CHAP Seconds Production
As of 12/31/99



RESOLUTION 00-04

WHEREAS, pursuant to the Zenovich-Moscone-Chn Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans; and

'WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan; and

WHEREAS, the Agency adopted Resolution 99-23 on May 26, 1999, which committed the Agency to a business plan for the fiscal years 1999/2000 through 2003/2004; and

WHEREAS, the Agency desires to modify the 1999/2000 through 2003/2004 business plan, as more particularly described in that certain memorandum from G Richard Schemerhorn, Director of Programs, to the CHFA Board of Directors dated January 6, 2000, and titled "1999/2000 Business Plan Modification," a copy of which is attached hereto and incorporated herein by this reference,

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

The Agency's 1999/2000 through 2003/2004 business plan is hereby modified to reallocate the total $25 million of Housing Assistance Trust (HAT) funds for the Single Family Housing Assistance Program (CHAP) from a $5 million annual allocation for each of the five years to a $25 million allocation for the two fiscal years 1999/2000 and 2000/2001, all as more particularly described in the aforementioned 1999/2000 Business Plan Modification memorandum.

I hereby certify that this is a true and correct copy of Resolution 00-04 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 20, 2000, at Millbrae, California.

ATTEST:______________________
Secretary

Attachment

e

'MIS PAGE
INTENTIONALLY
LEFT BLANK

State of California

MEMORANDUM

To: Board of Directors

Date: January 5, 2000

Kenneth R. Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Annual Single Family Bond Reauthorization
Resolution 00-05

Resolution *00-05* would authorize the sale and issuance of CHFA single family bonds (with related financial agreements) throughout 2000. Annual reauthorization enables us to schedule the sale and issuance of our bonds within the time limits established by the California Debt Limit Allocation Committee without regard to the timing of individual Board meetings.

The resolution would authorize single family bonds to be issued in various amounts by category, as follows:

(1) equal to the amount of prior bonds being retired, including eligible bonds of other issuers;
(2) equal to the amount of private activity bond volume cap made available to CHFA;
(3) $750 million of federally-taxable bonds (in addition to any taxable bonds issued under the first category).

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. We anticipate continuing to use the Home Mortgage Revenue Bond indenture for our single family bond issuances in 2000; however, we are also considering creating a new indenture. This new indenture would likely be similar to the Home Mortgage Revenue Bond indenture but would take into consideration new laws regarding mortgage insurance and allow more flexibility for interest payment dates.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2002.

. The resolution would further authorize application to the California Debt Limit Allocation Committee for up to $600 million of single family private activity bond allocation per year. It is anticipated that the Committee will meet in April to make decisions about the first round of applications, which are not yet submitted. While CDLAC's draft procedures indicate that it will meet to make allocations at least twice during the year, our strategy has been to ask for our entire annual allocation at the first meeting. This strategy enables us to effectively budget our resources throughout the year and provides an economic benefit that helps us keep our rates low.

The resolution would reauthorize application to the State's Pooled Money Investment Board ("PMIB") to continue our current $150 million warehouse line and increase the maximum amount to $250 million (from $200 million) should the need arise.

In addition, the resolution would reauthorize cooperation with local agencies similar to that accomplished in 1997 when CHFA sold bonds for the California Valleys Housing Finance Authority.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 00-05 would not expire until 30 days after the first Board meeting in the year 2001 at which there is a quorum. Likewise, last year's single family resolution (#99-11) will not expire until 30 days after this meeting.

During 2000 we anticipate again selling single family bonds every sixty days or so. Locking in our cost of funds this often enables us to mitigate interest rate risk and to size transactions based on actual demand as expressed through reservations or forward commitments.

RESOLUTION NO. 00-05A

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY CONCERNING THE FINANCING OF LOANS FOR SINGLE FAMILY RESIDENCES AND THE ISSUANCE OF THE AGENCY'S BONDS FOR THAT PURPOSE

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance to persons and families of low or moderate income to enable them to purchase moderately priced single family residences (the "Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Program") to make lower-than-market-rate loans for the permanent financing of Residences (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the purchase of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, the Agency, pursuant to the Act, has from time to time issued various series of its Single Family Mortgage Purchase Bonds (the "SFMP Bonds"), its Home Ownership and Home Improvement Revenue Bonds (the "HOHI Bonds"), its Home Mortgage Revenue Bonds (the "HMP Bonds"), its Home Ownership Mortgage Bonds (the "HOM Bonds") and its Single Family Mortgage Bonds (the "SFMor Bonds"), and is authorized pursuant to the Act to issue additional SFMP Bonds, HOHI Bonds, HMP Bonds, HOM Bonds and SFMor Bonds (collectively with bonds authorized under this resolution to be issued under new indentures, the "Bonds") to provide funds to finance the Program;

WHEREAS, pursuant to Chapter 6 of Part 5 of Division 31 (Sections 52060 et *seq.)* of the Health and Safety Code of the State of California (the "Local Agency Assistance Act"), the Agency also has the authority to enter into agreements with cities, counties and joint powers authorities created by cities and counties (collectively, "Local Agencies"), which provide that the Agency shall sell bonds on behalf of such Local Agencies for the purpose of providing funds for home mortgages financing residences within the respective jurisdictions of such Local Agencies; and

WHEREAS, the Local Agency Assistance Act provides that although such bonds are to be bonds of the Local Agency ("Local Agency Bonds"), the proceeds of such Local Agency Bonds may be utilized in the Agency's Program, including borrowing such proceeds through the issuance of Bonds to the Local Agency;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the issuance of one or more series of Bonds, in an aggregate amount not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of Bonds and/or other qualified mortgage bonds (including bonds of issuers other than the Agency) to be redeemed or maturing in connection with such issuance,

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose, and

(c) if and to the extent interest on one or more of such series of Bonds is determined by the Executive Director to be intended not to be excludable from gross income for federal income tax purposes, $750,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2001 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase agreement providing for the issuance of such Bonds on or before August 1, 2002 upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Forms of Indentures.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to the Treasurer as Trustee and/or, if appropriate, to a duly qualified bank or trust company selected by the Executive Director to act as trustee or co-trustee with the approval of the Treasurer, one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following:

(a) that certain indenture pertaining to the SFMP Bonds (the "SFMP Indenture"),

(b) that certain indenture pertaining to the HOHI Bonds (the "HOHI Indenture"),

(c) that certain indenture pertaining to the HOM Bonds (the "HOM Indenture"),

(d) those certain indentures pertaining to the HMP Bonds (the "HMP Indentures"),

(e) that form of general indenture approved by Resolution No. 92-41, adopted November 12,1992 (the "SHOP Indenture"),

(f) that form of master trust indenture proposed by the Federal National Mortgage Association ("FNMA") in connection with their "MRB Express" program and approved by Resolution No. 93-30, adopted September 7,1993 (the "FNMA MRB Express Program Indenture"),

(g) that form of general indenture designed for the FNMA Index Option Program and approved by Resolution 94-01, adopted January 13,1994 (the "FNMA Index Option Program Indenture"), and/or

(h) those certain indentures pertaining to the SFMor Bonds (the "SFMor Indentures").

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

Section 4. **Approval of Forms of Supplemental Indenture.** For each series of Bonds, the Executive Director and the Secretary of the Board (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, a supplemental indenture (a "Supplemental Indenture") pertaining to such series in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the SFMP Indenture, the HOHI Indenture, the HOM Indenture, the HMP Indentures or any New Indenture, as appropriate, in connection with the issuance of each such series, including, without limitation, any reserve account requirement or requirements for such series.

Section 5. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without Califomia, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Supplemental Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of twelve percent (12%) per annum (in the case of variable rate bonds, a maximum floating interest rate of fifteen percent (15%) per annum), or, if interest is determined to be intended not to be excludable from gross income for federal income tax purposes, fifteen percent (15%) per annum (in the case of taxable variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum). Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency and to accommodate bond insurance or other credit or liquidity enhancement.

Section **6. Authorization** of **Disclosure**. The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more Official Statements relating to the Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold infomation meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section **7. Authorization** of **Sale of Bonds**. The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers (including, but not limited to, FNMA) as the Executive Director may select (the "Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be applied at the time of delivery of the applicable Bonds, as the case may be, as part of the purchase price thereof or returned to the Purchasers as provided in such purchase contract.

Section **8. Authorization** of **Execution of Bonds**. The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with the supplemental

Indenture(s) or the New Indenture(s) and in one or more of the forms set forth in the Supplemental Indenture(s) or the New Indenture(s), as appropriate.

Section **9. Authorization** of **Delivery of Bonds.** The Bonds, when so executed, shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by executing the certificate of authentication and registration appearing thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

Section **10. Authorization** of **Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase Loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of the issuance of bonds or the availability of bond proceeds for such purposes.

In addition, the Executive Director and the other officers of the Agency are hereby authorized *to* enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purpose of financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of Short-term credit facilities from the Pooled Money Investment Account authorized under this resolution or Resolution No. 00-06 (the multifamily bond resolution adopted at the same meeting) may not at any time exceed $250,000,000.

Section 11. Authorization of **Program Documents.** The Executive Di r and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) with such lender or lenders as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders is to be deemed approved by this Board as if it had been made by this Board. The mortgages to be purchased may be fixed rate, step rate, adjustable rate, graduated payment or any combination of the foregoing, may have terms of 30 years or less and may be insured by such mortgage insurers as are selected by the Executive Director in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

Section 12. **Local Agency Cooperation.** (a) The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements with one or more Local Agencies providing that the Agency shall sell Local Agency Bonds for the purpose of providing funds for the Program for the purchase of Loans financing Residences within the jurisdiction of the applicable Local Agency. Each such agreement shall contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms and conditions authorized by this resolution, applied as appropriate under the circumstances. The Bonds shall serve as the primary source of payment of and as security for the Local Agency Bonds.

The Local Agency Bonds are hereby authorized to be sold at such time or times, on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2001 at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such sale.

(b) The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Local Agency Bonds and, after the sale of the Local Agency Bonds, to execute and circulate one or more Official Statements relating to the Local Agency Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Local Agency Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Local Agency Bonds and to distribute other information and material relating to the Local Agency Bonds.

(c) The Local Agency Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency and the Local Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Local Agency Bonds, by and among the Agency, the Treasurer, the Local Agency (if appropriate) and such underwriters or other purchasers (including, but not limited to, FNMA) as the Executive Director may select (the "Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

(d) The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Local Agency Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency and the Local Agency, and the amount of said deposit shall be applied at the time of delivery of the applicable Local Agency Bonds, as the case may be, as part of the purchase price thereof or returned to the Purchasers as provided in such purchase contract.

Section 13. **Ratification of Prior Actions.** All actions previously taken by the Agency relating to the implementation of the Program and the issuance of the, including, but not limited to, if applicable, the distribution of its Program Manual, Mortgage Purchase and Servicing Agreement, Developer Agreement, Servicer's Guide and application to originate and service loans are hereby ratified.

Section 14. **Authorization of I Actions and Agreements.** The Treasurer and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this resolution. Such agreements may include a tender agreement or similar agreement regarding any put option for the Bonds, agreements for the investment of moneys relating to the Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds and continuing disclosure agreements. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

Section 15. **Absence of Executive Director.** In the Executive Director's absence or upon the Executive Director's authorization, all actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution 00-05A duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2000, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 20th day of January, **2000.**

[SEAL]

David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency

SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution 00-05A duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2000, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ___ day of

______________ ____

[SEAL]

____

David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency

RESOLUTION NO. 00-05B

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTMTY BOND ALLOCATIONS FOR THE AGENCY'S SINGLE FAMILY PROGRAM

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance to persons and families of low or moderate income to enable them to purchase moderately priced single family residences (the "Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Program") to make lower-than-market-rate loans for the permanent financing of Residences (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program;

WHEREAS, the Agency has by its Resolution No. 00-05A authorized the issuance of bonds for the Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Authorization to Apply to CDLAC.** The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to $600,000,000 per year to be used in connection with bonds issued under Resolution No. 00-05A or resolutions heretofore or hereafter adopted by the Agency. In the alternative, subject to the approval of CDLAC, any such allocation received is authorized by this Board to be used for a mortgage credit certificate program.

Section 2. **Authorization of Related Actions and Agreements.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution.

SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 00-05B duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2000, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 20th day of January, 2000.

[SEAL]

David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency

DOCSSF1:418393.1

State of California

MEMORANDUM

To: Board of Directors

Date: January 5, 2000

Kenneth R. Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Annual Multifamily Bond Reauthorization
Resolution 00-06

Resolution 00-06 would authorize the sale and issuance of CHFA multifamily bonds (with related financial agreements) throughout 2000. Annual reauthorization enables us to schedule the sale and issuance of our bonds within the time limits established by the California Debt Limit Allocation Committee, without regard to the timing of our Board meetings.

The resolution would authorize multifamily bonds to be issued in various amounts by category, as follows:

(1) equal to the amount of prior bonds being retired, including eligible bonds of other issuers;
(2) equal to the amount of private activity bond volume cap made available to CHFA;
(3) $300 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable bonds (in addition to any bonds issued under the first category).

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. At this time, we anticipate continuing to utilize the Multifamily Housing Revenue Bonds III indenture, which allows both fixed-rate and variable-rate bonds and both insured and uninsured loans as well as mortgage-backed securities. The CHFA general obligation is pledged to this indenture.

The resolution would authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including interest rate swaps), and for forward delivery of bonds through August 1, 2002.

RESOLUTION NO. 00-06A

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF THE AGENCY'S BONDS FOR THE PURPOSE OF FINANCING MULTIFAMILY HOUSING

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the construction or development of multi-unit rental housing developments (the "Developments") for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments (the "Loans"); and

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount**; The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds (the "Bonds"), in an aggregate amount not to exceed the sum of the following amounts is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of prior multifamily bonds of the Agency (or of other issuers to the extent permitted by law) to be redeemed or maturing in connection with such issuance;

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose; and

(c) if and to the extent the Bonds are "qualified 501(c)(3) bonds" under federal tax law, are not "private activity bonds" under federal tax law, or are determined by the Executive Director of the Agency (the "Executive Director") to be intended not to be tax-exempt for federal income tax purposes, $300,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2001 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase agreement providing for the issuance of such Bonds on a later date on or before August 1, 2002, upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Indentures. Supplemental Indentures and Certain Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee (the "Trustee"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the Multi-Family Revenue Bonds (Federally Insured Loans) Indenture, dated as of April 17, 1979;

(2) the Multi-Unit Rental Housing Revenue Bonds Indenture, dated as of July 12, 1979;

(3) the Rental Housing Revenue Bonds (FHA Insured Loans) Indenture, dated as of June 1, 1982;

(4) the Multi-Unit Rental Housing Revenue Bonds II Indenture, dated as of September 1, 1982;

(5) the Multifamily Rehabilitation Revenue Bonds, 1983 Issue A Indenture, dated as of December 1, 1983;

(6) the Multifamily Housing Revenue Bond (Insured Letter of Credit 1984-I) Indenture, dated as of March 1, 1984;

(7) the Housing Revenue Bond Indenture, dated as of July 1, 1984;

(8) the Multifamily Rehabilitation Revenue Bond, 1985 Issue A, Indenture, dated as of March 1, 1985;

(9) the form of indenture approved by the Board of Directors of the Agency at its May 11, 1989 meeting for the Financial Guaranty Insurance Company program;

(10) the Housing Revenue Bond II Indenture, dated as of July 1, 1992;

(11) the Multifamily Housing Revenue Refunding Bond Indentures, dated as of July 1, 1993 (including as originally delivered and as amended and restated);

(12) the Multifamily Housing Revenue Bond (Tara Village Apartments), 1994 Series A, Indenture, dated as of November 1, 1994;

(13) the Multifamily Housing Revenue Bond (FHA Insured Mortgage Loans) Indenture, dated February 1, 1995;

(14) the Multifamily Housing Revenue Bond II Indenture, dated as of October 1, 1995; or

(15) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Bonds, a supplemental indenture (a "Supplemental Indenture") pertaining to such series in substantially the form of any supplemental indenture or series indenture executed in connection with any of the Prior Indentures, in each case, with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the New Indentures, as appropriate, in connection with the issuance of each such series.

(c) For each series of Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, a letter of credit agreement or any other arrangement with respect to credit or liquidity support in substantially the forms of the reimbursement agreements, letter of credit agreements or other such arrangements contemplated under the New Indentures or used in connection with the bonds issued under one or more of the Prior Indentures.

(d) Any New Indenture, Supplemental Indenture or reimbursement agreement, letter of credit agreement or other such arrangement as finally executed may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following provisions:

(1) for the Agency's insured or uninsured, limited or general, obligation to pay any debt secured thereby,

(2) for a pledge of an amount of the Supplementary Bond Security Account to the extent necessary to obtain an appropriate credit rating or appropriate credit enhancement,

(3) for a pledge of additional revenues which may be released periodically to the Agency from the lien of one or more indentures heretofore entered into by the Agency, including but not limited to one or more of the following:

(A) the Prior Indentures,

(B) the Home Mortgage Revenue Bond Indenture, dated as of September 1, 1982, as amended, and

(C) the indentures under which are issued the Single Family Mortgage Bonds,

(4) for a deposit of such other available assets of the Agency in an appropriate amount in furtherance of the Program,

(5) for risk sharing provisions dividing between the Agency and any credit provider and or FHA, in such manner as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, the credit and financing risks relating to the Bonds and the Developments financed by the Bonds,

(6) for a liquidity facility,

(7) for contingent or deferred interest, or

(8) for the use or application of payments or receipts under any arrangement entered into under Section 9 of this resolution.

Section 4. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of twelve percent (12%) per annum (in the case of variable rate bonds, a maximum floating interest rate of fifteen percent (15%) per annum), or, if interest is determined to be intended not to be excludable from gross income for federal income tax purposes, fifteen percent (15%) per annum (in the case of taxable variable rate bonds, a maximum floating interest rate of twenty-five percent **(25%)** per *mum)* . Any of the Bonds and the Supplemental Indenture(s) may contain such provisions **as** may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency and to accommodate other credit enhancement.

Section **5. Authorization** of **Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more official statements relating to the Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is M e r authorized **to** hold infomation meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 6. **Authorization** of **Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters **as** the Executive Director may select (the **"Purchasers"),** relating to the sale of the Bonds, in such form **as** the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without M e r action of **this** Board and unless instructed otherwise by **this** Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement **as** finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be applied at the time of delivery of the Bonds **as** part of the purchase price thereof or returned to the Purchasers **as** provided in such agreement.

Section **7. Authorization** of **Execution of Bonds.** The Executive Director is hereby authorized **and** directed to execute, and the Secretary of **this** Board is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its **seal**, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each New Indenture or Supplemental Indenture in one or more of the forms set forth in such New Indenture or Supplemental Indenture.

Section 8. **Authorization** of **Deliverv of Bonds.** The Bonds when **so** executed, shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency **by** the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee.

Such instructions shall provide for the delivery of the Bonds to the Purchasers, upon payment of the purchase price thereof.

Section **9. Authorization** of **Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of the issuance of bonds or the availability of bond proceeds for such purposes.

In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purpose of financing the purchase of Loans on an interim basis, prior to the financing or sale of such Loans. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities from the Pooled Money Investment Account authorized under this resolution or Resolution No. 00-05 (the single family bond resolution adopted at the same meeting) may not at any time exceed $250,000,000.

Section 0. **Authorization of Piogiam Documents.** T E Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary in connection with the Program, including, but not limited to, regulatory agreements, loan agreements, origination and servicing agreements (or other loan-to-lender documents), developer agreements, financing agreements, investment agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements and continuing disclosure agreements, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

Section 11. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program and the issuance of the Bonds are hereby approved and ratified.

Section **12. Authorization** of **Related Actions.** The Treasurer and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this resolution.

Section **13. Absence** of **Executive Director.** In the Executive Director's absence or upon the Executive Director's authorization, all actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in Writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution 00-06A duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 20th day of January, 2000.

[SEAL]

David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency

DOCSSF1:411155.4

SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution 00-06A duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of

____

[SEAL]

____
David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency

RESOLUTION NO. 00-06B

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS FOR THE AGENCY'S MULTIFAMILY PROGRAM

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the construction or development of multi-unit rental housing developments (the "Developments") for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments (the "Loans"); and

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program;

WHEREAS, the Agency has by its Resolution No. 00-06A authorized the issuance of bonds for the Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. **Authorization to Apply to CDLAC.** The officers of the Agency are hereby authorized to apply from time to time for private activity bond allocations in an aggregate amount of up to $400,000,000 per year, to be used in connection with bonds issued under Resolution No. 00-06A or resolutions heretofore or hereafter adopted by the Agency.

Section 2. **Authorization of Related Actions.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution.

SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution 00-06B duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of January, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 20th day of January, 2000.

[SEAL]

David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency