CHFA BOARD OF DIRECTORS

Thursday, March 9, 2000

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

9:30 a.m.

7. Other Board matters ....

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

*** NOTE: Next CHFA Board of Directors Meeting will be May 11, 2000, at the Hilton Burbank Airport & Convention Center, Burbank, California.**

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

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

Thursday, January 20, 2000
9:00 a.m. to 12:16 p.m.

"Minutes approved by the Board of Directors at its meeting held: March 9, 2000 ."

Attest: [signature]

Reported and Transcribed by: Ramona Cota

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APPEARANCES

Directors Present:

CLARK WALLACE, Chairman

BETHANY ASELTINE

JULIE BORNSTEIN

EDWARD M. CZUKER

ANGELA L. EASTON

KRISTIN FAUST

CARRIE A. HAWKINS

KEN S. HOBBS

ROBERT N. KLEIN II

ANGELO R. MOZILO

THERESA A. PARKER

Staff Present:

SANDY CASEY-HEROLD, Deputy General Counsel

JOJO OJIMA

For the Staff of the Agency:

KENNETH R. CARLSON, Director of Financing

RICHARD A. LaVERGNE, Chief Deputy Director

G. RICHARD SCHERMERHORN, Director of Programs

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

LINN G. WARREN, Chief, Multifamily Lending

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

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

MICHAEL McGINNIS, The *ARC* of Butte County Inc.

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P R O C E E D I N G S

THURSDAY, JANUARY 20, 2000 HILLBRAE, CALIFORNIA 9:33 A.M.

CHAIRMAN WALLACE: All right, I'd like to call the meeting of the CHFA Board of Directors to order. Item 1 is for the secretary to call the roll. And it looks like we've got a really full house so we're going to move fast. Okay, secretary, JoJo, call the roll.

ROLL CALL

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

MS. FAUST: Present.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Present.

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

(No response).

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Here.

MS. OJIMA: Ms. Easton?

MS. EASTON: Here.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Present.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Present.

MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Here.
MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Here.
MS. OJIMA: Mr. Gage?
(No response).
MS. OJIMA: Ms. Aseltine for Ms. Lynch.
MS. ASELTINE: Present.
MS. OJIMA: Ms. Parker?
MS. PARKER: Here.
MS. OJIMA: We have a quorum.
CHAIRMAN WALLACE: Good, we're not fighting the numbers this trip. And good to have you all. Julie, in a different capacity, and we're happy for that.
MS. BORNSTEIN: Thank you.
CHAIRMAN WALLACE: Kristin in a little different capacity and we're happy for that.
MS. FAUST: Right, me too.
CHAIRMAN WALLACE: Are you sleeping yet?
MS. FAUST: No.
CHAIRMAN WALLACE: Well, neither is your seat mate. Mr. Czuker has a new baby so he's not sleeping much either. So if you nod off we'll understand.
MS. FAUST: Thank you.
CHAIRMAN WALLACE: And Bethany, nice to have you

back. And Angelo, it's great to have you back.

MR. MOZILO: Happy new year.

CHAIRMAN WALLACE: Happy new year. That's the way to start off the year.

APPROVAL OF THE MINUTES OF THE NOVEMBER 4, 1999 MEETING

With that let's move to Item 2, approval of the minutes of the November 4, 1999 Board Meeting.

MR. HOBBS: So moved, Mr. Chairman.

MS. BORNSTEIN: Second.

CHAIRMAN WALLACE: Any discussion, amendments? Somebody didn't like what I said? They said? Hearing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: The minutes have been approved.
CHAIR" WALLACE: The minutes of the November 4, 1999 Board Meeting have been approved.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Moving on then to Item 3. I don't have much other than if you want to get out of the parking lot—just a housekeeping item-get a sticker from JoJo here. Put it on your entry pass and pay $12 at the front desk and you might get out. This sounds like get out of jail in Monopoly. At any rate, you need to pick up a sticker here and stop by the front desk. If you have questions you talk to JoJo, she can probably get your ticket fixed. But I know Terri has a few items so, Terri, Item 3, Executive Director Comments.
MS. PARKER: Okay, Mr. Chairman, thank you. I have a couple of housekeeping and informational items. The first one, which is, I think, of significant dimension is that the Agency went through the new millennium with not really one problem with respect to Y2K. Dominic and his very talented staff, essentially all of their preplanning and hard work going through the transition served the Agency well and we

had absolutely zero problems. So I just wanted to let you all know. We were not worried due to Dom's hard work but we are very pleased to essentially report that what we anticipated to happen did occur, and that was that we had no problems whatsoever, at all.

The second housekeeping thing: We are going to be talking today about updating you on how our Business Plan is going six months into it. From a staffing standpoint there was one area that we had talked about, the Agency perhaps taking on an additional role this year in negotiations with the federal government, HUD in particular, to have CHFA be the participating administrative entity for the Mark-To-Yarket Program.

Dick, from a staff level, was in negotiations with :he HUD staff for a good six months. We actually went back in December to talk with Ira Peppercorn and we did see, over :hat period of time, HUD make some changes to its operating guidelines. But when all was said and done in December, given what we saw as the work to be accomplished, the fees :hat were being offered, the local government entity that we had planned to do work with, we essentially made decisions :hat they had other more pressing business interests.

We made a business decision that the Agency could probably better utilize its talents in dealing with projects that won't be going through Mark-To-Market, which is probably the majority of expiring units, rather than trying to figure out a way to deal with what HUD had as a contracting process.

It will be interesting to see how this evolves. There are a number of states that are with California in declining, some of the large states. We negotiated with them, we had professional discussions, but we essentially decided it wasn't in both of our best interests to move along. So we will not be doing those activities. We will be very involved in trying to continue to keep abreast of what is happening with preservation and the projects that won't be eligible for Mark-To-Market to see how the Agency can provide a role. We'll be bringing those discussions to you again as part of our business planning process through the spring.

The third thing is just to give you an update on what's happening in Washington since all of you are very interested in the bond cap bills and tax credit bills. We had a discussion just yesterday with the leadership within the National Council of State Housing Finance Agencies on what we are kind of expecting the action will be in Washington.

The Republican leadership has made a decision that their strategy this year is not to have one huge tax bill. Instead, what they are planning on doing is having three smaller item-specific tax bills to move their agenda along.

They are going to do one on marriage penalty, one on minimum wage and one on tax relief or target tax relief proposals. We are currently in the marriage penalty bill and that one is likely to move first. They are expecting action in the House on that one as early as February. We will be monitoring all of them to make sure that if that one doesn't move that we essentially move to the next particular item.

We think the environment is very positive for a number of reasons. One of them is that, apparently,.the budget forecasters have re-estimated the surplus and it's projected to be twice what it was last year at $2 trillion. They have already decided that the President is going to be submitting a budget which will blow the discretionary spending caps. What we have heard is Republicans in Congress won't contest that so there will be some discretionary increases in spending, but with $2 trillion it's likely there are to be enough dollars for them to do both discretionary spending increases and tax relief. So they can essentially negotiate that out.

So we will be, obviously, working very hard at trying to continue to get more cosponsorship; not only for California but for the rest of the country. Because, essentially, this valuable resource will be available to help the critical housing crisis that's in the state.

Last item --

CHAIRMAN WALLACE: Terri, hang on. On that, what's the current proposal? Because last year or the year before last there was a phased-in increase in the bond cap. That is nice but not enough.

MS. PARKER: Well, two years ago the proposal that was actually enacted into federal law began a staged phase-in in 2003. That is in law, that will occur at $5 per capita for bond cap in 2003. The bills that were in the tax relief bill that was vetoed last year and then again put in the minimum wage bill would start that phase-in in the year it is enacted. So last year if the tax bill had not been vetoed it would have started a $5 increase beginning in 2000.

MR. KLEIN: Mr. Chairman, what about the tax credit side?

MS. PARKER: The same thing. We expect the President will again propose it in the budget. The provisions that were in the tax bill that got vetoed, again had a staggered increase. I'm not going to try to get into it because in the final analysis, at the end when they left the session, tax credits was in the Senate version. There were a couple of versions floating around so you almost have to go into all of them. What I'll do is I'll keep you updated on it, but I just wanted to give you sort of the sverall plan. Basically the plan is that there will be vehicles for both the tax credits and bond caps.

CHAIRMAN WALLACE: But on the bond cap it's the same that's in the current bill being proposed, as was proposed last year.

MS. PARKER: Correct, correct.

CHAIRMAN WALLACE: To move up the incremental phase-in of the cap.

MS. PARKER: Correct, correct. Both of the increases are staggered.

CHAIRMAN WALLACE: Over, like, five years.

MS. PARKER: Correct.

CHAIRMAN WALLACE: And $5. Starting at $150 per capita going up to $175.

MS. PARKER: Correct.

CHAIRMAN WALLACE: Okay.

MS. PARKER: It will, actually, on the bond cap side, happen quickly because of the 2003 increment. There's really only -- If you look at what is left out at the moment, it is really a declining amount that needs to be filled in because we have had two years of delay now so we're automatically going to get a $5 increment. If this passes in 2001 we'll get $5 in 2001, $10 in 2002 and then we'll pick up more at the beginning of 2003 because it would have occurred already. It's already paid for in the CDO numbers.

CHAIRMAN WALLACE: Okay. Got it? Sure.

MS. PARKER: And it's $2 trillion over ten years.

The federal budget is always a longer time line.

And last but not least, I just wanted to mention to you all that the Governor's budget was released on January 10th. The Governor continued the commitment that he started last year in housing with some additional general fund increases that have not been in HCD's budget in the last ten years and added a new initiative in housing that is part of his overall initiatives in the education arena for recruitment and retention of teachers. The Governor has a total of about $150 million of general fund for recruitment and retention initiatives across the board.

There's a number of them that are grants for teachers attaining additional competency, but in the housing arena what the Governor is proposing is a $50 million general fund commitment for credentialed teachers who make a commitment to teach in low-performing schools for five years. It is a $10,000 forgivable loan that, if they essentially teach for five years, can be forgiven and used as down payment, closing costs, whatever will help a teacher essentially qualify for a home.

We expect there to be a lot of discussion over the spring on this issue. As always, an item that's introduced, there will be a lot of debate in the Legislature. But we will expect to see some sort of action when the budget is resolved for the first of July. So we will keep you posted on that particular issue. CHFA will be the administrator of the down payment assistance along with the administration that we are currently doing for the down payment assistance provided through legislation and ballot initiative and SB-50. With that, Mr. Chairman, that's kind of my housekeeping.

CHAIRMAN **WALLACE**: Okay, any questions on Terri's report from either the Board or the audience? Mr. Klein.

MR. KLEIN: I think that the Governor's initiative is an extremely needed initiative. It's great to see the focus on making home ownership more affordable. I would hope that at one of our future sessions we could have a sub-work session on potentially how that program can become more effective than the shell outline that has been discussed in high-cost areas in the state. Because I think that there is some significant potential but it will take a lot of staff work and consideration to get to the point for that discussion. Just in terms of scheduling, if we could figure out a meeting in the future where we might discuss those options it would be great.

CHAIRMAN WALLACE: And you're talking about the bill that passed?

MR. KLEIN: I'm talking about prior to the bill passing. **A** discussion about how to make the administration of it more effective, **and** therefore more attractive in the high-cost areas of the state, which may, in fact, help it pass.

CHAIRMAN WALLACE: That puts us in an advocacy position for this aspect of the Governor's budget. Let's talk to Terri about that. And not that we aren't, but currently I suspect we're rather passive.

MS. PARKER: Well, I think what we have done is -- We have obviously been involved in the mechanics of how such a program would work. Bob and I actually had a chat last week about this and Bob has a concept; we haven't had a chance to further discuss it. I think we had planned that we would have an opportunity to do that and have staff take a look at -- Staff needs to do some staff work. But I think we would be open to looking at ways -- If there are ways to improve the program we would essentially be having some discussions with our partner in HCD about how to make some recommendations to the Governor's office.

CHAIRMAN WALLACE: In that context, go ahead, do your staff work and then let's see, when you're ready, what role, if any, the Board decides we should play.

MS. PARKER: Clearly, if this legislation is passed, much as we did for the Prop 1A School Facility Fees, we would need to -- We probably will be talking about this -- Jackie will be talking about this on the Administration budget when we come back in May. We'll need a Board resolution to be passed.

CHAIRMAN WALLACE: Well, I understand if it is passed, but Bob is saying we should do our homework before and then bring it back to the Board to see if we want to be a party to the advocacy. Am I correct?

MR. KLEIN: Yes.

CHAIRMAN WALLACE: Okay. Any other questions from either the Board or the audience on any of Terri's report? Let alone my parking report.

MS. PARKER: You can't top that one.

RESOLUTION 00-01

CHAIRMAN WALLACE: Okay. If not, let's move on to Item 4, which is the Santa Ana Towers Apartments, Dick.

MR. SCHERMERHORN: Thank you, Mr. Chairman. This first request is an example of the financing discussion we had at the last Board Meeting and the Board's approval of an acquisition financing program that is incorporated into this particular transaction.

Our request here is for two loans. One is to fund the acquisition and rehab of the project, which is the acquisition financing concept that was discussed at the last meeting; and the permanent financing which we would be doing as we have in the past for acquisition rehab projects. The acquisition loan request is for $11,400,000. It's done as a taxable financed transaction at a 7 percent interest rate for two years, interest only. The permanent financing upon satisfactory completion of rehab would be for $10,500,000 at a 6.35 percent interest rate, a 35-year fixed transaction, fully amortized and done as a tax exempt. We also are proposing a half-million dollar standby operating reserve from our HAT Funds.

This is a Section 8 project for which we are attempting to facilitate maintenance as an affordable housing project for the long term. For details about the project, Mr. Warren.

(Video presentation of project begins.)

MR. WARREN: Thank you. Mr. Chairman. As Dick indicated, Santa Ana Towers is located adjacent to downtown Santa Ana. The project is 21 years old and is comprised of two main structural parts. The first is a nine-story tower that you see which comprises 116 units and the second off to the right here is a smaller three-story low-rise building which contains 84 units. The project is comprised entirely of one bedroom units.

The main entrance is in this area right here. One of the areas that the sponsor wishes to rehabilitate is to increase parking and to make the entrance more visible. Here is a better view of the project itself. Each of the units has a balcony and, fortunately, those are in fairly good shape. The building to the right, again, is the entryway and the community building.

One of the issues that we have initially with the project is the need for seismic rehabilitation. We have uncovered some issues that need to be dealt with in seismic areas. The money has been budgeted for that in the capital budget and Dames and Moore is under contract with the sponsors to rectify any seismic issues that may turn up on the property.

This is Ross, which is an adjacent street to the property; the property is on the right. To the left is another Section 8 senior property. This street here leads into downtown Santa Ana. The other intersecting street is First Street, one of the main surface streets in Santa Ana. In the morning and late afternoons, the streets are fairly busy, but during midday it is not too bad. The sound issues that may arise from the surface stredts do not seem to impact the tenants in their units.

This is the lobby area, which is the connecting corridor between the nine-story building and the three-story low-rise building. To the right are the management offices and reception area, to the left is the primary entrance. As I indicated earlier, the sponsors wish to update and improve this for curb appeal and also remodel the lobby area.

This is the recreation center for many of the functions and activities the seniors would participate in. There is no dining facility per se in the project itself.

Meals are taken often at a senior center which is nearby and I'll show you that in a few minutes. Adjacent to this is a small lounge area with television viewing and a card room, activities like that.

This is a closer view of the decks and the balconies. The sponsors indicate that there will be new painting on the exterior and an elastomer coating will be added to help with waterproofing. Fortunately,the balconies here are in good shape, both structurally and from a wear and tear standpoint so there will be a minimum amount of work that needs to be done in that area.

This is the central courtyard. This is a pond that was part of the original development; it's more decorative than anything else. What the sponsors wish to do is build a swimming pool here and replace this. What we're finding in the market, not only in Santa Ana but throughout most of Southern California, is the need and desire in both market rate and tax credit projects, to include swimming pools for seniors. So as this project transitions into a tax credit project over a period of time the sponsors wish to add a pool and other amenities to maintain its marketability.

The units, as I indicated, are all one-bedroom units, they are approximately 560 square feet and that size compares favorably with the other one-bedroom units, both market and tax credit, throughout Santa Ana. They are in very good shape, fortunately. The counter tops, the cabinets, the appliances all have a good deal of time left in their estimated useful life so consequently the rehab budget for the units should be fairly minimal. Any issues that may occur over time will be dealt with as the units turn. There are two laundry facilities. Again, both in good shape, they have been well maintained.

As I indicated, the project is located in, basically, downtown Santa Ana. This is the view northwest, which is primarily the commercial quadrant, offices, government buildings. This is a view, a westerly view. In the foreground you can see a condominium project and beyond that is primarily single and multifamily residential. The Ronald Reagan building. Below that is the senior citizen center that I commented on. This is directly adjacent to the property. Most of the seniors go here for daily meals. To the right is a park, which is maintained adjacent to the property itself.

Directly across the street is a school and park site. We were somewhat concerned about the student6 that were coming out after class during the day. Most of the students exit the site and go up Ross Street. This takes place about three o'clock in the afternoon on a daily basis, but the impact to the site is fairly minimal.

Clearly with the one-bedrooms and any concern we have about a property that may encounter tax credit rents we were concerned about where the market is for various rents. We have sent the rents, the 50 and 60 percent rents as you can see are 10 percent below what we deemed to be market at $750 per unit for the one-bedrooms that were equivalent in size and amenities.

There is, as Dick indicated, a Section 8 contract project-based on the property, it is on annual renewals. The $805 number that you see, the red bar, indicates what the new per unit rents will be lowered to, it was somewhat higher. But as you can see this is still in excess of what we deemed to be market, the $805 is an opinion of HUD as to what they think market is.

The additional market issues that we wanted to concern ourselves with: Number one, the one-bedroom configuration. Throughout the Santa Ana primary market area there is a large number of one bedrooms but they seem to be absorbed very well by the senior and general occupancy tenancy so we're not concerned that this is a 100 percent one-bedroom project. The project amenities, as I mentioned are competitive. It is the sponsor's desire to increase these over a period of time as it does transition to a tax credit project to maintain their marketability.

Currently our market surveys indicate that there is an unmet demand in the Santa Ana/Anaheim area of approximately 2,000 units for seniors. If all the projects that are slated to come on line, both that are in the planning stage up to the ones that are in the talking stages, this will approximately equal this unmet demand. However, it's fair to say that over the next several years the demand for senior units of all configurations will increase.

One issue that we clearly have with any project-based situation: Should the project-based Section 8 contract terminate what happens to the tenants. It's fair to say that in this case they would probably get vouchers. One scenario we looked, or several scenarios we looked at, is what would be the migration of the tenants leaving the property once they got vouchers. We had three ways of looking at it. One, there would be no change; two, that there would be a 10 to 15 percent turnover; and three, there would be approximately a 30 percent turnover. We felt that the middle ground was approximately right and if there was some reabsorption it would probably only take about five months to reabsorb any tenants that might leave.

And lastly, it's clearly the sponsors goal in this particular project to mitigate any turnover that might occur by maintaining marketability. So with that, we have set up a conversion standby commitment for that but generally speaking it should not be a problem for the project. With that.

(Video presentation of project ends.)

MR. SCHERMERHORN: As Linn indicated, the way we look at the issues on this type of a product now is, if we're doing an acquisition we, as we discussed last meeting, we could be taking a higher risk than what we have traditionally done in just doing the permanent takeout financing. Our litmus test, as *you* saw there is, what is the feasibility of the project moving from acquisition stage into permanent financing? Where is that permanent financing coming from?

In the case of this project the Agency is proposing to do the permanent financing. So we are looking at the underwriting of this transaction in terms of the long term, what is going to happen with the project. And in terms of our recommendation and the underwriting that we have done here it really is mostly weighted on the long-term financing. We believe that it will appropriately transition from the acquisition through rehab into the takeout financing, just as if some lending institution were doing the interim financing and doing the rehab work on it.

You may be interested in knowing how this project came about. This project was owned by a lending institution for the past ten years as an investment. It's not an REO property, it was an investment on their part. And they decided to sell the project so they bid it out. The sponsor here, Safran and Associates, was the successful bidder, although they were not the highest bidder, they were second highest. There was a third bidder, apparently, that was very close to them. They were selected as the awardee by the lending institution for this. Now they are, obviously, in the performance portion of this.

The sponsor has a very credible track record with affordable housing. We have had experience with them. They are forming a limited partnership. This will be a typical limited partnership transaction in the takeout phase. They will also be managing the property. The occupancy restrictions that we have on it, again, go to how we approached the underwriting. We're doing 20 percent of the units at 50 percent and the remaining units at 60 percent, that's how it's underwritten.

The project is under a Section 8 rent contract and it will go to annual renewals, which means that the tenant profile basically is contributing funds to the project at less than what the debt service requirement might be under our scenario, but the Section 8 contract is making up the difference. And as Linn noted, over time, if for some reason the Section 8 contract were not renewed by HUD, because we're requiring that the sponsor maintain a Section 8 contract on the property as long as HUD offers a Section 8 contract. For some reason it stops, that was what that analysis was about the transition of the 15 or 30 percent of the tenants to bring the income level up to support the occupancy restrictions here in the underwriting.

That is how, fundamentally, any of the transactions that we bring to *you* that involve the acquisition financing, that is what we're looking at. Does it make sense in the short term? Most importantly, is there a credible takeout commitment and how is that takeout commitment underwritten. That's what we have done here. And we're recommending approval of this transaction, we'll be glad to answer any questions.

CHAIRMAN WALLACE: Okay. From the Board any questions? Mr. Klein.

MR. KLEIN: I would just like to say that Tom Safran is a very competent developer with a long track record. A particularly good choice of a developer/sponsor.

CHAIRMAN WALLACE: Any other questions? Yes, Julie.

MS. BORNSTEIN: Has there been a construction lender already identified?

MR. WARREN: Yes. The sponsors are looking at Bank of America, which would be used, perhaps in conjunction with the equity partner, in some sort of mezzanine structure. So yes, that is underway.

CHAIRMAN WALLACE: Any other questions from the Board or the audience? The developer? The sponsor want to say anything? No? You figure you're ahead?

MR. MOZILO: I move the motion to approve the project.

CHAIRMAN WALLACE: Mr. Mozilo moves.

MR. KLEIN: I second.

CHAIRMAN WALLACE: Mr. Klein seconds. Any discussion? If not, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

CHAIRMAN WALLACE: Aye. But I'd like to hear

Mr. Czuker say *aye* again.

MR. CZUKER: Aye.

CHAIRMAN WALLACE: It was a little rough, Ed. It sounded like you had a hard night with the baby. How did we do?

MS. OJIMA: It has been approved, thank you.

CHAIRMAN WALLACE: Resolution 00-01, the first one in the year 2000, has been approved. Okay, moving on, Dick, to Longfellow Apartments.

RESOLUTION 00-02

MR. SCHERMERHORN: Yes, Mr. Chairman. This is a request for a permanent loan for the Longfellow Apartments which is located in Chico. It's a 24 unit -- This is a Special Needs Project; the sponsor here is ARC of Butte County. The CHFA permanent loan is proposed at $773,500, an interest rate of 3 percent for 30 years. We will be using 501(c)(3) bonds. On this particular transaction there is an interest subsidy here as a Special Needs Project. It qualifies for use of our FAF Funds to help accommodate the financing requirements of the project, in this case by doing an interest rate reduction on the project. And for the project, Linn.

(Video presentation of project begins.)

MR. WARREN: Thank you, Dick. Longfellow Apartments is located in Chico. As Dick said, it's 24 units and it was constructed in **1963**. It's a two-story structure with all the units facing inward towards the central pool and to the rear there are carports and covered parking for the entire project.

The property does require substantial rehabilitation. The only really new component of the property right now is this roof which is two years old but there is indication that there was some roof leakage over a period of time **so** our physical needs assessment and subsequently the rehab will have to address any dry rot that might occur over a period of time. These railings and stairs, although not terribly attractive, are actually in pretty good shape **so** that won't require a great deal of work. The decks, however, will need some attention. These picket fence enclosures down here on the patios will all be replaced.

Here is a better view of the project. What is being anticipated by the ***ARC*** is that ten units of the project will be set aside for developmentally disabled, with really two thrusts to the program. The first is that individuals who are now in group homes and are transitioning into independent living will be here; the second will be parents who have a disability but their children may not will also be living here. **So** the programs will contain parenting skills, independent living skills and job training skills. In addition to that the *ARC* is integrating some essentially market rate units for a general population under the theory that they feel this is a good mix for individuals who are trying to migrate into an independent living situation.

The pool area, fortunately, is in good shape. There are minimal repairs that will be needed for this. The units, unfortunately, are not in terribly good shape. They will require refinished or new cabinetry, new appliances in many cases, and in the bathrooms and ceiling areas there is dry rot. So there is a fair amount of rehab that is being specified for those issues. Again, a view of the carports. You can see the water has kind of pooled on top of this carport building. This will all be repaired.

Here is the laundry facility as well as the machine room for the pool itself. The neighborhood surrounding Longfellow is generally a middle class, stabilized single family neighborhood, homes are 30 to 40 years old. As *you* can see the HVAC systems have seen better days. These will all be replaced along with the fencing.

One of the activities that the ARC has now started is a thrift store, which is in Chico. This serves as a place €or the individuals to learn job skills as well as a place €or the *ARC* to raise some money. This has just recently opened and many of the tenants that will be in the project will be spending time at the store working there. Dick.

(Video presentation of project ends.)

MR. SCHERMERHORN: The loan that we're proposing on this is slightly less than 50 percent of the total cost for the project. The remainder of the funding is either subordinate debt, all of which is committed, or equity funds. That includes a Chico city RDA loan, AHP funds. The reason that the interest rate that we're charging is at 3 percent and is not driven lower on this is there are market rate rents involved and we are not providing an interest rate subsidy on those particular units. It is a constraint of the FAF Funds from HUD. It has to be utilized only for 50 percent of median income renters or less. So we did a calculation and worked out how that would be best applied in this case and that's why the structure looks like that.

The ARC of Butte County is an independent nonprofit. We have had a project here previously from ARC of San Francisco. They are not related, nor is there an umbrella, but they are entities that are working in the same arena dealing with this type of special need activity. They have a good, from our standpoint, good, experienced partner in this transaction in Community Housing Improvement Program, CHIP. We have had experience with them over the years, primarily in our single family program under self-help housing activity but we also had some experience with them on multifamily. They are very good, knowledgeable affordable housing managers and owners of project activity. So we saw this as an excellent marriage in this particular transaction.

The occupancy restrictions in here reflect the structure of primarily 50 percent of median income with some 80 percent of median income unit restrictions in the project. The numbers and what-not are laid out in page 874 in your binder. With that we're recommending approval, be glad to answer any questions you may have.

CHAIRMAN WALLACE: Okay. Kristin.

MS. FAUST: Mr. Chairman, my question is, I was wondering if this organization owns any other projects with this kind of mix, where you're mixing the developmentally disabled tenants with the non-developmentally disabled. I don't know if I should call them *non*. Has this been tried before, do they think it will work, or is this their first one?

CHAIRMAN WALLACE: Can staff answer that?

MR. WARREN: I need to ask Michael on that, if I may.

MR. SCHERMERHORN: Sure.

MR. McGINNIS: Hi, I'm Michael McGinnis, Executive Director of the ARC of Butte County.

CHAIRMAN WALLACE: Michael, could you come up and speak a little closer to the microphone. And as you were just doing, identify yourself, etcetera.

MR. McGINNIS: Hi, Michael McGinnis, Executive Director of the *ARC* of Butte County. There are other projects throughout the United States that are similar to this. This is the first project that we're attempting. We're partnering with a local nonprofit that built over 200 units of apartments. The real gist is that without case management services and support services our clients in the community often fail. They end up back in group homes, they end up back in institutions.

We're looking for a way to provide a level of support necessary for individuals to live independently in the community and this is really our first attempt at housing. We were really looking for an integrated environment so that individuals who don't have disabilities can model behavior. Particularly over the last 20 years, more and more individuals with disabilities are becoming parents. It would provide a unique opportunity or challenge to integrate them into society.

One of the nice things about this project is it has a bus stop right next to the stop. It has an elementary, junior high and high school all within a mile and a neighborhood grocery store within two blocks. So it really meets a variety of needs that our clients have.

MS. FAUST: Do you educate the existing tenants right now about the new ownership and the goal and purpose of the housing?

MR. McGINNIS: Well, because we got significant city funds, obviously, we have been in the newspaper a lot so we have had some meetings with tenants discussing what we want to do and intend to do. The building is very rundown. Most of the tenants are looking forward to actually having some nice, decent and safe places to live in compared to where they are living now. We had three public hearings in order to get city financing. At no time did any public opposition come out during those three hearings.

MS. FAUST: I know the Treasurer thinks it's a very good project and one that sounded good on paper. I just wanted to hear about how it actually would be -- how the integration would work and I hope it works really well.

MR. McGINNIS: Thank you.

MR. SCHERMERHORN: We take a worst case scenario and assume that the project didn't work in this configuration. The logical way it will then go is to fully, to become a 100 percent, at which point those unit restrictions would drop to 50 percent. We could then adjust down the interest rate further. So that from a financial standpoint, given the low debt that we're talking about on this project, it's not financially a very high risk for us. The question was a good one in terms of how it would operate. So we think its worth the risk of testing it out.

MS. FAUST: Great,

CHAIRMAN WALLACE: Mr. Klein.

MR. KLEIN: The City of Chico occupancy restriction has 20 units at 30 percent of 60. However, the occupancy on those 20 units can go to individuals with incomes up to 80 percent. What is happening here? What is the discontinuity between those two different standards? Are we setting lower rents than what would be normal for that income group in order to get them to accommodate to the developmentally disabled within the same project? What is the thinking there?

MR. WARREN: I think they wanted to allow to have some of the existing tenants stay in the project, which is why you have the 80 percent level set the way it is. But I believe, also, Bob, what they want to do is keep the rents low for that so there's an accommodation for existing tenants and others that may come in. But they do wish to have the rent charge, even with the higher income level, set low, and to make the project operate with that lower rent but allow the people to stay in the project. That is my understanding.

CHAIRMAN WALLACE: Any other questions from the Board?

MR. HOBBS: Mr. Chairman, if I may.

CHAIRMAN WALLACE: Mr. Hobbs.

MR. HOBBS: Bob, that segued into my question. If

I heard correctly, the project is existing 100 percent occupied with low-income families, presently.

MR. WARREN: Yes.

MR. HOBBS: Do you want to expand a bit as to how this transition is going to happen?

MR. WARREN: How it's going to work. During the construction period there will probably be some turnover. Some of the tenants that exist now are income qualified. Actually, all existing tenants are income qualified for the project except for one. And over the construction period there will be some unit turnover as well as during the preliminary time for the project.

If at the end of that period of time there are still tenants that may not fit the profile or are outside of the set-aside the City of Chico has some very specific relocation guidelines that will be imposed on the property, to the extent that if they are relocated there has to be a rent subsidy paid for equivalent units. But as Michael indicated -- Michael used to be a city councilman for Chico when this ordinance was passed. So the sponsors are very aware of that fact and no one is going to be forcibly displaced. There is a process in place to deal with it.

MR. McGINNIS: The other thing we're doing at this point: Even though we just have a purchase agreement, have not yet purchased the building, as the units become vacant we're leaving them vacant so we'll be able to go through the rehab process in an orderly manner. But we have a couple of vacant units that actually we're paying the rent on the units now.

CHAIRMAN WALLACE: Okay, any further questions for Michael or the staff from the Board or the audience? Hearing and seeing none the Chair will entertain a motion.

MR. CZUKER: So moved.

MS. EASTON: I'll second.

CHAIRMAN WALLACE: The motion for approval, Ed?

MR. CZUKER: Yes.

CHAIRMAN WALLACE: Mr. Czuker, and Ms. Easton the second. Any discussion? If not, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-02 has been approved.

CHAIRMAN WALLACE: Our Resolution 02 has been approved.

RESOLUTION *00-03*

Okay, moving on to Item 5. I'm going to have Vice Chair Hawkins chair this item. Carrie.

MS. HAWKINS: Thank you, Mr. Chairman. Item number 5 is the discussion, recommendation and possible action relative to a commitment modification on the following project, which is the Detroit Street Apartments. They are located in West Hollywood in Los Angeles. Dick.

(Chairman Wallace exited the meeting room.)

MR. SCHERMERHORN: For those Board Members who were here last year, this is the same project that was approved at the January Board Meeting a year ago. The only thing that has changed, the request that we're making, because we made a determination that it constituted a sufficiently material change in the transaction to bring it back for Board approval, is the form of the collateral. The original transaction contemplated a fee-simple on the property.

What has happened in the meantime, there are costs that have raised the transaction costs to the project. One possible solution would have been to raise the loan amount, but it is not as effective in this case to maintain the loan amount that we have as a qualifying tax exempt financing for four percent tax credit purposes. It was better for the City of West Hollywood to take it as a leased land arrangement rather than to sell the land. So the City of West Hollywood has agreed to lease the land for 55 years for something like $1 a year for this particular purpose and that's the only change in the transaction.

The rest of the transaction as it was approved by the Board last year remains essentially the same from our lending standpoint, other than it shifts from a fee-simple to a lease/purchase. Technically it is an increased risk, but from our standpoint, substantively it is not. It is the locality that is going to be the lessor in this case and they have the same agenda we do in terms of the project going downstream. And without getting into it any further we would recommend approval, be glad to answer any questions.

MS. HAWKINS: Are there any questions from Board? Yes, Mr. Klein.

MR. KLEIN: On the tax credits. Do we know what the tax credit yield is in determining the tax credit price?

MR. WARREN: No.

MR. KLEIN: This is a small project. I think that the yields may not be as consistent. I assume that these credits were committed some time ago.

MR. WARREN: I believe so.

MR. KLEIN: On new commitments on significantly sized projects I would hope that as a part of the write-up when we're making bridge loans for tax credits that we could see what the pricing is because the pricing in tax credits has moved up very substantially in the market. Particularly if we are providing the leverage by these tax credit loans for staged pay-ins. I would think that there should be a very highly competitive yield provided to the sponsor, which would be helpful to the project, help reduce the strain on local government subsidies and produce more credits.

MR. SCHERMERHORN: Okay.

MS. HAWKINS: Any other questions or comments from the Board?

MS. FAUST: I --

MS. HAWKINS: Yes.

MS. FAUST: Looking through the numbers it looked as if in one place all the units were going to be rent restricted at no greater than 50 percent of area median, but at another place it looked like maybe there are a couple that are at 60.

MR. WARREN: Jean raised that question, I meant to get back to you. It is somewhat confusing. On the Project Summary page you'll see a 60 percent TCAC number at 616. That is actually a HOME Funds, three-bedroom limit and it's 100 percent restricted to HOME Funds. So the nomenclature is wrong but the rent number is correct. So it is 100 percent TCAC restricted, it's also 100 percent HOME Fund restricted. And we have used the lesser amount, which is the HOME Fund number, we just unfortunately labeled it a TCAC number.

MS. FAUST: Thank you.

MS. HAWKINS: *Any* other comments or questions? I think it is our practice now to ask if there are any questions or comments from the public. Hearing none I call for a motion to approve the request.

MR. MOZILO: I make the motion to approve it.

MS. HAWKINS: It's been moved. Is there a second?

MS. BORNSTEIN: Second.

MS. HAWKINS: It has been seconded. Ms. Bornstein has seconded.

MR. KLEIN: Madam Chair, if I may, just a quick point of discussion. What exactly is the shortfall here? I wasn't able to put it together in the staff report. How much money are we talking about? My read of the staff report suggests that the city also participated in bridging this construction shortfall.

MR. WARREN: The shortfall of approximately $200,000, I believe, of tax exempt proceeds was not available since we had already received allocation for this. So the city, although they were helping to repay the bridge loan, they could not supply the tax-exempt financing. We simply were unable to come up with any additional bond allocation for the project.

MS. HAWKINS: Resolution 00-03 has been moved by Mr. Mozilo and seconded by Secretary Bornstein. May we have the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Mr. Wallace?
(No response).
MS. OJIMA: Resolution 00-03 has been approved.
MS. HAWKINS: Thank you.

RESOLUTION 00-04

Mr. Wallace has not yet returned so I guess we will go on to Item number 6, which is a discussion, recommendation and possible action relative to the 1999/2000 Business Plan modification.
MR. SCHERMERHORN: First off, you have this chart. I discovered last week that somebody copied the wrong page out of the Business Plan that was supposed to be attached to this memo. It's supposed to be this page that has this year's approved Five-Year Business Plan on it and not the one that's here, the previous two years' activity.
MS. HAWKINS: Thank you for that clarification. I said, am I going crazy.
(Mr. Hobbs exited the meeting room.)
MR. SCHERMERHORN: It doesn't change the numbers any but it does help a little bit in terms of what you're looking at. Basically what we're recommending here is in the Business Plan that was approved by the Board we have a $1

billion loan purchase goal. Our assumption in the Business Plan was that part of the achievement of that was going to be through use of our 100 percent loan program, which is a combination of 97 percent first loan and 3 percent down payment sleeping seconds, which we are providing out of our HAT Funds. The proposal was to do it over the five year period at $5 million a year.

What has happened is we have had much higher demand. About 40 percent of our production to date—and you will see what the effects of this production are when I do the midyear wrap on this but essentially we're on target to make the billion dollars40 percent of that loan activity is coming in as 100 percent loans. We are being very successful with this program. Not only in terms of production but also in terms of impacting the under-served areas where we targeted this program to go.

As an example, as you well know, for those who participated in the discussion in the past, our ratio of involvement in Los Angeles County, as an example, was about 9 percent of our total resources going there a couple of years ago in single family lending. The write-up gives you 25 percent. We just did our monthly Business Plan review and the update stat now is 30 percent of our resources are going into Los Angeles County for single family loan activity, and it's primarily due to the CHAP Program.

So we said, we have got a production goal that would be -- We looked at three options. One was to stop the program entirely because we're running out of what we perceived to be this year's amount to be used. Two, scale back the program in some fashion, limit its use around the state. That would slow the use of the funds, it would still need some additional infusion this year because at this juncture we have virtually used up the $5 million that we were looking at. And it would also have an effect on our production, going for the billion dollars.

Or thirdly, there is a whole discussion that the Board is going to need to have in the context of the Business Plan this spring about how much of this down payment assistance activity we can afford to do for what period of time. There are other down payment assistance discussions, funding sources, etcetera, that are beginning to surface around the state and we need to assess just how much of that activity might be applicable to us. Something that we could link into creatively and use those kinds of resources rather than necessarily our own. But it is not information that was readily available for this particular decision at this point in time.

So we looked at the third option which says, we have got a $25 million commitment in the Five-Year Business Plan. Instead of spreading it over the five years, collapse it down. We would make it available over the next couple of years. That would not disrupt any of our lending activity for the next 18 months and it would give the Board an opportunity this spring to take a look at the larger question of how much involvement in this program, for what period of time and how much resource do we really want to commit to it.

That's the essence of what this request is and that is the adjustment that we request the Board to consider and approve in terms of the existing Business Plan. To allow us to collapse that $25 million allocation of HAT Funds for the down payment assistance program down to a two-year period rather than go around and try and figure out where else we might use monies from other programs and potentially disrupt their activity.

MS. HAWKINS: Mr. Wallace has returned so I turn the chair over to our chairman, Mr. Uallace.

CHAIRMAN WALLACE: Thank you. Questions or comments from the Board? Bob.

MR. KLEIN: How much of the money going into this program is going into new construction? And as to those units that are new construction, what has the participation been of these units in the school fee rebate program? Are those school fee rebates being used as part of the down payment funds? What is the interface between this program, if any?

MR. SCHERMERHORN: Very little. We don't have anything trackable on the last part of your question. There has been very little activity to date because of the schools getting cranked up, in terms of reassessing. They had until the end of the calendar year to revise their plans.

MR. KLEIN: Right.

MR. SCHERMERHORN: We have seen, basically, little activity in the school fee rebate down payment assistance program. We expect it to start cranking up here this spring. So we don't have any relationship or any substantive information on that.

The down payment assistance program has been used primarily, as you might expect, in the valley. It's being used in about the ratio that we're getting. We're still getting predominately resale activity. It's somewhere 60, 65 percent resale and the rest is new construction. So of the use of the 100 percent loan program, the down payment assistance, is about the same ratio, ballparking it right now.

MR. KLEIN: And as to the new construction portion. Once the school fee rebate program becomes fully operational, mechanically, how do our procedures work? If someone gets back $4,000 or $5,000 as a school fee rebate do we require they use that as part of the down payment? Does it reduce the assistance available through this program? What is the interface?

MR. SCHERMERHORN: It goes into escrow. So the issue is -- Let's say you're a borrower that qualifies for a CHFA first loan. You also qualify for a 100 percent and the property qualifies for a school rebate. The issue is, what is the total transaction? How much money is needed to conclude the transaction? If they make application for the school rebate, we will process and immediately send the qualifying amount to the escrow account for closing, so what the borrower is faced with is how much more money is needed to close. If it requires the full amount of our down payment assistance program and they qualify for it, then they would get the benefit of all of that. If it doesn't require all of that money then they would only need, let's say, 70 percent of that down payment assistance funds to close the transaction.

MR. KLEIN: So the school fee rebate is netted down before you calculate the down payment assistance?

MR. SCHERMERHORN: If --

MR. KLEIN: If you have $100,000.

MR. SCHERMERHORN: The lender is going to have to do that because there will be -- We will see the loan transaction.

MR. KLEIN: Right.

MR. SCHERMERHORN: The borrower is not going to pocket any, if you will, unused funds. But the sequence of it would be, the first loan, if they've gotten the rebate, that funds in its full amount have gone into escrow so that's the second draw. And then the third would be, if they qualify for the down payment assistance and there is additional monies needed that would be drawn to us.

MR. KLEIN: I see.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: Your request makes sense to me because from my experience the down payment is very difficult for people in this income category to acquire. Because even if you have the down payment you still have to comply with all the other requirements, which is your impounds and closing costs. And you just take a $100,000 house. If your impounds and closing costs go from somewhere 3 to 5 percent, right there that's $3,000 to $5,000 without a down payment. And that's only a $100,000 house.

So I think, for obvious reasons, California is lagging behind in the rate of home ownership, lagging behind other states. And so if we're going to leverage our funds, I think this is a good way to do it. And Angelo is closer to this than I am right now, so if I'm wrong I'd like him to correct me.

MR. MOZILO: You're correct on the numbers.

MS. HAWKINS: So think about how hard that is for that income group to accumulate a down payment. And so they still have money they have to get together. But the other thing is you mentioned putting a limit on the income requirements. You have to balance that because if the income level isn't high enough the program wouldn't be able to be utilized because they won't qualify for the payment, regardless. So you know how to do that so I --

MR. SCHERMERHORN: Currently, with the exception of resale activity in the valley we are using the full and highest income limit allowed under tax law.

MS. FAUST: Which is?

MR. SCHERMERHORN: It's the higher of statewide or county median. The higher of is what we use for our single family program. And for a family of one or two that's 100 percent of that number, and for a family of three or more it's 115 percent of that number.

MR. MOZILO: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Mr. Mozilo.

MR. MOZILO: Dick, has enough time elapsed to observe the performance of these loans?

MR. SCHERMERHORN: Not really. Although we have been doing the program for better than a year at this juncture, as you know, that's not enough to see any kind of trend out of it yet.

MS. PARKER: LaVergne stepped out. John, I don't know if you have any information. I know that we were looking at this recently to see. We were tracking the number of loans we have done and there has been some percentage that have actually been repaid because the property has changed hands in the last 18 months since we started the program. But, John, do you have any?

MR. SCHERMERHORN: This question goes to default.

MR. SCHIENLE: Speaking for CaHLIF. We have 97 percent loans which were originated in the beginning of 1996. Beginning in 1998 we added the 3 percent silent seconds so it was 100 percent financing at that time. So it's four years old. We have had one claim. On our 100 percent Freddie Mac loan, which is now about a year and a half old, we have had three or four payment defaults but we have had no claims. So it's an impeccable record in this economy.

MS. PARKER: John is going to have some exciting news to tell you on CaHLIF, overall what their default rates are. I'm not going to, I'm going to let John say it, but I think he's got some interesting information for you.

CHAIRMAN WALLACE: One claim against a volume of what, John?

MR. SCHIENLE: Oh, $300 million, 3,000 loans.

CHAIRMAN WALLACE: Still not a long track record but so far so good.

MR. SCHIENLE: Right.

CHAIRMAN WALLACE: But we have been enjoying really good times. Full employment, etcetera, etcetera, etcetera. Let's stay with Angelo's question a minute. Does LaVergne have a perspective?

MS. PARKER: Dick, the question had been asked about -- Mr. Mozilo asked if we had any information on the down payment assistance loans, any track record of default. And I was remembering just a week ago or two that we had been looking at the number of those loans and, as I recall, there had been some small percentage that had been repaid. You don't remember if any of that information looked at default, do you?

MR. LaVERGNE: You're talking about the Prop 84 loans? The --

MR. SCHERMERHORN: No, the current 100 percent loan program, our HAT.

MR. LaVERGNE: The program is so new that there was only one loan or so. There's no experience, not enough experience.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I would like to say that as another sample, different program but with similar objectives, in the early 1980s we did a thousand units of bond financed for sale housing. Under that program the borrower could even, under a second trust deed, continue to borrow over four or five years, amounts to help them with the payments in the early period of the loan. And the early 80s was a financially volatile time, including some recessionary experience, and yet the ownership experience—this happened to be in Thousand Oaks-was an extraordinarily low default history. Thousand Oaks is a very good market today. During that period of time there were some difficult recessionary issues but the performance was extremely good.

While this is anecdotal since it's not directly applicable it is another example of homeowners under this type of situation performing very well.

CHAIRMAN WALLACE: You know, I'm kind of torn too. I love the idea of improving our abilities in Los Angeles, we have been trying to find ways to help in Los Angeles County. Maybe this isn't it but it's -- And yet, there's no book on it. Angelo, I almost expected you to follow up your question by saying, it's too soon to tell. Should we accelerate the program this much? It's not a big amount, really.

MR. MOZILO: Well, it's all of those. It is too soon to tell, I think. And I don't know if you're looking for a decision from the Board at this juncture or a discussion relative to accelerating the program forward.

MR. SCHERMERHORN: No, that's not the request here.

MR. MOZILO: I won't comment on that. But I think it's something I would caution you to observe, to see how it's working. Because experience is that those types of programs, unfortunately, attract those who are trying to exploit the program rather than those you are really trying to serve. So it's just something to be concerned about.

MS. HAWKINS: I'd like to add to that. I think the underwriting is the critical issue in these loans, and you have to look at the character and history of the borrower. Because whether you have 5 percent equity or 3 percent equity in a transaction makes very little difference in an economic downturn because there is not enough equity to get out of that transaction, from my underwriting experience in the past and observing delinquencies. You have to look at the character of the borrower and their track record and I think CaHLIF has done just an excellent job in doing that. And obviously the lenders also have done an excellent job.

I think even though it's soon, you take a borrower who has been able to, again—I don't want to belabor the point—but has saved up somewhere around $5,000. That shows a savings pattern that is equal to someone else who saves much more from a higher salary, and yet we're willing to make 90 percent loans to those people, or 95 percent loans. So I think I would look at it from that perspective.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I think we should give the staff the discretion they need here to use the funds outside of the category boxes, as I understand the request, that the money has been put into so that this program can be continued. I think it's a very good program. There is risk. There is risk at any time you are trying to help reach new levels of home ownership in a period where you have high costs of housing. But in terms of the important contribution we are making to the people who are purchasers and to their families I think that this risk, based upon all that we have in prior experience to look at, is a very reasonable one for us to take.

MS. PARKER: Mr. Chairman, just one point of clarification. I think what the staff is proposing is really to accelerate within the Business Plan the utilization of these funds. The Board in its Business Plan had made a commitment to this level so in that sense all we are doing -- I think the risk was there, we are just moving it forward. We really need to have, I think, the benefit of a broader discussion, which we will be having as part of our Business Plan development for March and then finalize in May about what CHFA can do in this arena and what we should be doing longer term.

I think what we would essentially say, we can't continue this under our existing structure, infinitum. We would have to go back and look at creative ways to do that or, you know, whether there is the opportunity for other resources that would be outside of CHFA to essentially take up this responsibility that would, in that sense, reduce any risk on our part. Those could be things such as a housing bond that has been discussed this last year which didn't include down payment assistance. CHFA has been the administrator for those in the past so that could be a longer term way 'to handle this and that, in that sense, wouldn't create risk for the Agency.

So we are really trying to put a very narrow box around this at this point in time, which will allow us to continue and not have a severe drop in our production. Continue to take advantage of the interest rate market that there is, as long as it will hold, for as many people as we can to get into housing. Particularly in high cost areas. And then over the next several months look at the environment for us all to figure out what makes some sense going forward.

CHAIRMAN WALLACE: In that context I think we ought to give the staff -- You know, nothing ventured, nothing gained. We don't want to scrap -- We had set aside $25 million for this program. All of a sudden we're finding it's -- Over five years. All of a sudden we're finding it's taking off.

MR. KLEIN: Right.

CHAIRMAN WALLACE: And granted the experience and the other things we're hearing. I'm still inclined to stay with the program and give you some more rope. Bad term. If you understand the long term connotations of rope. Let's say, some more --

MR. KLEIN: Latitude.

CHAIRMAN WALLACE: Latitude to explore the program. And what you're really saying is, we think we may be able to use these funds up a lot sooner. And based on what we know, so far so good, but we really don't know that much. So emphasis that the Board is giving you on underwriting and all that is good advice. And you have asked for more time to fully evaluate this as we go through the next Business Plan. I'm inclined to say, let's venture, let's see, but be careful. We'll be talking a lot more about it. So with that in mind I'm willing to vote for your recommendation.

MR. KLEIN: I make a motion to capture the sense of what you proposed, Mr. Chairman, as the staff has requested.

MS. HAWKINS: I'll second it.

CHAIRMAN WALLACE: Okay, motion by Klein, second by Hawkins. Any discussion? Hearing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

(Mr. Hobbs re-entered the meeting room.)

MS. FAUST: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: I'm going to abstain.

MS. OJIMA: Thank you. Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-04 has been approved.

CHAIRMAN WALLACE: The resolution has been approved. Okay.

MR. HOBBS: Mr. Chairman, I apologize. I had to take a call and that was the reason for *my* abstention. I am 100 percent in support of the staff's recommendation.

CHAIRMAN WALLACE: How do we register that? Do you want to put that in?

MR. HOBBS: It was just for information. I wouldn't want anyone to assume that I was thinking something different.

CHAIRMAN WALLACE: Sure.

MR. HOBBS: I apologize.

CHAIRMAN WALLACE: Fine. Thank you, Mr. Hobbs.

MR. SCHERMERHORN: It's like in hockey. If you tie the game you still get a point.

CHAIRMAN WALLACE: Yes, right.

MR. SCHERMERHORN: That's what he did.

CHAIRMAN WALLACE: He tied, all right.

DISCUSSION OF THE 1999/2000 BUSINESS PLAN UPDATE

Okay, let's move on to Item 7 and our discussion on the upcoming Business Plan.

MR. SCHERMERHORN: Yes, Mr. Chairman. This will be a three part presentation. I'm going to do the CHFA program single family, John Schienle will do the CaHLIF update and then I will return to do the CHFA multifamily. The purpose of this is twofold. One is to apprise the Board of how we're doing at the midyear mark with the majority of our program activity. And the second reason is, with that information in hand it hopefully will give you a good stepping off point to discuss the upcoming Business Plan activity.

Because what we have in the Business Plan are some fundamental objectives that drive our program activity and it's those fundamental objectives that we need to make sure this is where the Board would like the staff to be focused on in developing our recommendations and our resource allocations and our program ideas. So with that, I'll start, hopefully, with single family. And you have the charts you can follow along on.

This was the five-year game plan. That's the $1 billion goal for each of five years. HAT programs in single family have $2 million a year for Self-Help; we're substantially on track to use those funds up this year. The $5 million we just discussed. This is the $5 million mortgage assistance for the 100 percent loan program. So that is the game plan that we had.

And here is what's happening. The green line, this was our projection. The red line doesn't show up very well here. These are the loans purchased on an aggregating basis towards that $1 billion objective. And what we had at the beginning of the year, the dotted blue line and this other greenish line right here, dot-dash line, those are the ones where we really manage what's going on in our single family monthly business meetings that we have.

This blue line right here are reservations and it's a combination of what's actually taken place so far this year and what we're projecting, or how we will control this, because this is the area in which we control our single family production, By changing interest rates, by changing mortgage limits or sales price limits, or what incentives we may put into what program area has an effect on what we take in. That is the gross amount of reservations. Currently we estimate that between 15 and 20 percent of those reservations will fall out and the remainder will turn into the dot-dash line, the greenish dot-dash line, which are loan purchases. Over time that's the ongoing activity. That's what makes this red line go up here to the top.

We started the beginning of this fiscal year at a low ebb because we were coming out of last fiscal year where we had some very tight constraints. Resale activity was substantial in the state. It was having impacts on some of our single family sub-objectives and there was a whole issue of, did we have enough resource, and we wanted to manage what resource we had left for the year so that we could meet our objective of staying in business 365 days a year. So our intake was at a low level here.

What actually happens is the reservation takes place here, the loan purchase doesn't occur until somewhere in the 60 to 90-plus day period. So you will see a relationship between reservations jumping up here and loan purchases jumping up at this point. That's how it tracks. So what we are looking at this year in getting this production goal met is this reservation activity for this year basically ends in April because after that it's loan purchases of this activity in here that will produce this goal up here. And right now we are substantially on track on our single family production.

We still have an imbalance problem between resale and new construction. It's an issue we are going to have on the table with you for the upcoming Business Plan because of the changing marketplace that is out there. And if we're trying to maintain an objective of equitable resource allocation throughout the state, the reality is the population centers are built out by and large and the new construction activity is in the lesser populated areas of the state. To try and maintain 50 percent new construction and resale is going to be a very interesting challenge if we're still trying to maintain production levels at $1 billion.

CHAIRMAN WALLACE: And we're going to talk about some of those objectives. We've got a program that is going to allow us to look at some of these long term objectives, so keep that in mind. We're going to have a shot at that. Whether that's doable as we go forward.

MR. SCHERMERHORN: I just thought I would share with you -- And you need to make a correction on your chart here. This is just a current interest rate schedule we're working with in the street. I tried to translate this into a Powerpoint thing so I could print the chart out for you, I didn't have access to a printer that would handle this one, and I didn't do this right. This should be moderate, this should be *low*, this should be *moderate* and this should be *low*.

Because on the chart what we have is, here is our vanilla rate right now, it's 7.5 percent for moderate income borrowers and 7 percent for low income borrowers. But if the AHPP program comes into play, that's the locality providing the down payment assistance, we provide an interest rate preference but it's only applicable for low income borrowers, not for moderate income borrowers. And then in the high cost areas of the state the moderate income borrower rate is 7.25, statewide for low income is 6.75, and then the preferential rate. So your chart should read *moderate, low, moderate, low.* If you really want it right go to our web site. We have it correct on the web site and you can print it right off of there.

Okay, that's the single family status at this point. Any questions?

(Tape 1 was changed to tape 2.)

MS. PARKER: Dick, did you just mention that these are our rates and that where we are providing down payment assistance relative to the decision that they just made that down payment assistance is available for all low income borrowers?

MR. SCHERMERHORN: Yes. We just raised the rates about a week ago and we're still substantially below. We have been trying to stay about 100 basis points but we're more than that right now. You're looking at least at a 150 basis point spread for a low income borrower below current conventional rates. So far we're able to do this. What we did was we expanded the low income eligibility for the 100 percent loan program to all counties in the state. It was restricted for a period of time as we were testing out what's going on. But now that we have substantially equalized our activity in Los Angeles County, which was our single, biggest problem area, we have opened up that program statewide at this point.

CHAIRMAN WALLACE: Mr. Klein.

MR. KLEIN: Where are we in terms of the amount of funds we have available to continue rates at this level? In terms of our origination rates right now do we have enough funds to take us out two months, three months, six months?

MR. SCHERMERHORN: Our availability covers the remainder of this fiscal-year. The issue we will be looking at is, what do we do for the next Five-Year Business Plan in the discussions. But we're covered for -- We have allocation and interest rate coverage for the remainder of this fiscal year against the game plan.

MS. PARKER: Bob, I think Ken has a report of the most recent bond sale and the swap we've done. I think there's information in that which essentially talks about how we have been able to, through the financing mechanisms, create the resources available to meet those numbers.

CHAIRMAN WALLACE: Are you essentially saying that you just made a rate adjustment?

MR. SCHERMERHORN: Upwards, yes.

CHAIRMAN WALLACE: Upwards. Likely we could hold that through the balance of this fiscal year?

MR. SCHERMERHORN: I didn't say that.

CHAIRMAN WALLACE: I know you didn't. So we could well change again?

MR. SCHERMERHORN: Yes, correct.

CHAIRMAN WALLACE: If we locked in the funds what would cause you to change? The rate in relation to market?

MR. SCHERMERHORN: When I say that we've got ourselves covered between now and the end of the fiscal year it goes to the assumption of what's our spread against the rate. Because Ken is still going out and doing bond transactions as we're going along. So we have to maintain a relativity there --

CHAIRMAN WALLACE: Okay.

MR. SCHERMERHORN: In order for that theory to stay in place.

CHAIRMAN WALLACE: Okay.

MR. SCHERMERHORN: So we're monitoring closely what's happening with that and we're trying to hold. We keep doing the pulse check on that regularly to try and hold the line as long as we can.

CHAIRMAN WALLACE: And you could maintain the rates through the balance of this fiscal year. But if Ken comes in on the next offering and says, it's at a higher level, there's a good chance we're going to move up with that.

MR. SCHERMERHORN: That's a real possibility.

MS. PARKER: But we might also look at it as a tool, depending on what demand is.

MR. SCHERMERHORN: Remember, on this time frame that I'm talking about, too, there's two -- That really breaks into two decisions. We're looking at right now in terms of this year's production goal. It's the next couple of months in which we need this reservation activity for it to translate into the production goal. When we get into Yarch what we're looking at now, really, is next year's game plan and that really plays into what is next year's Business Plan going to look like. Because depending on what the assumptions are and how much resources are going to be committed in that case, we would start making whatever adjustments programmatically on single family to the reservation pipeline as would be appropriate given that decision.

So partly in answer to your question: I'm really only looking at the next two to three months. So yes, we're fine in that case because it translates into our production goal. The real question is, what happens after March? What are we going to do?

CHAIRMAN WALLACE: Next time you make that chart up see your optometrist, would you.

MR. SCHERMERHORN: I can see it. You're right.

CHAIRMAN WALLACE: I look at that -- He declares us colorblind for looking at stuff like that.

MR. SCHERMERHORN: Okay.

CHAIRMAN WALLACE: Okay? Put a heavier line.

MR. SCHERMERHORN: That one is easier to read, right?

CHAIRMAN WALLACE: Yes.

MR. SCHERMERHORN: Okay. You don't need glasses. Any other questions? If not I'll turn it over to John.

CHAIRMAN WALLACE: Okay.

MR. SCHIENLE: Good morning.

CHAIRMAN WALLACE: John.

MR. SCHIENLE: Regarding the Five-Year Plan I'd like to comment just briefly on financial status and then talk about new loan production.

CHAIRMAN WALLACE: Excuse me just a second. Dick, you are coming back for the multifamily?

MR. SCHERMERHORN: Yes, sir.

CHAIRMAN WALLACE: Okay. John.

MR. SCHIENLE: For 1999 we expect to have a loss ratio of less than 20 percent, which is remarkably good. That is, 20 percent of our premium that we take in is used to either pay losses or set up reserves for defaults that we have learned of. That compares with about three years ago when our loss ratio was about 80 percent. So this is a reflection of a very profitable fund and a very profitable mortgage insurance industry as well. As you may have observed, the mortgage insurers are now targets of opportunity from the GSEs seeing the high profits and comparing themselves in terms of who is taking what out of this kind of a market. Partly, as a consequence of both our loss ratio a few years ago of reaching only 80, and now being 20, Standard and Poor's has affirmed our A-plus rating so we're going forward with a rating that we have had.

In terms of production we have two broad areas. We have two older programs that we have had for some time and we have two newer programs. The newer programs, the most recent of which is about to begin, is with STRS for a teachers mortgage loan program through STRS. Thanks to Terri Parker who arranged for our presentation to STRS and got us off to a good start, we had an agreement in May with STRS to provide the program. STRS approved the program just a few weeks ago and we expect production to begin in February. The loan program I think I've described to you before. It's a 95 percent first with a 5 percent second so there is 100 percent financing for the borrower. STRS is going to buy/fund both the first and the second. That's a brand new program.

Slightly older, about one-and-a-half years old, is our Freddie Mac 100. In that case, we are at 56 percent of the goal that we established for the year. As I mentioned a few minutes ago, we have had several delinquencies in that program but no claims. We are delighted with the concept of 100 percent lending and we have not seen fraud or walk-aways or all of the standard kinds of concerns people have about 100 percent lending.

The biggest deterrent to production in the program, and you'll hear this over and over, the GSEs have limits on credit scoring that they will accept. For your information, the credit scoring median in the United States is about 720; the credit score median for minorities is about 680. And so when the GSEs set credit score limits of 680 they are necessarily eliminating half of the minority population, which is really our target. In this case, for the Freddie Mac 100, we are allowed to have 20 percent of the production down to 620, but lenders, of course, on a production basis put out information that, in effect, limits it to the 660 to 680 range. So that's a detraction from lenders producing more loans and it boils back to credit scoring.

On our old programs, CHFA, of course, being the oldest of them, we are principally doing 97 percent loans with a 3 percent silent second that you just approved more money for, and principally in LA. However, we are at 45 percent of goal for the CHFA portion of our production. Our major program, which I mentioned, is now four years old—although we just began the 3 percent silent second, over the last two years—is the RDA program in which redevelopment agencies and CHFA pledge money for losses in the event of losses. On that program, which is our largest, we are on target. We're at 100 percent of goal currently and we expect that we will complete the year at that level. And that's a 100 percent loan program. That's the one in which I mentroned that we've had one loss to date. So that has a history and it has an excellent history. As always, we're struggling to keep the credit score as low as we can to attempt to reach the largest population, particularly in the high cost areas.

One last thing I'd like to mention is that just yesterday the american banker, Fannie Mae, acknowledged that their desktop automated underwriting system, which has been called the black box because no one knows quite how it operates, has'been the subject of an attempt by HUD to embarrass them into explaining how it works. They now say that they will explain it, but that as a preliminary look at it Fannie Mae said that the three principal reasons for the outcome that occurs from their automated underwriting system are credit score, loan to value and liquidity of the borrower. Obviously, those are the three things that would score loans against us and are the most difficult things that we have to contend with.

In the marketplace, the GSEs are attempting to charge higher interest rates or guarantee fees to the lenders, and ultimately to the borrowers, for lesser credit scores. We're trying to at least delay that to the best we can in our portfolio by providing 50 percent coverage, which is what we do for CHFA and we do for the GSEs. Our bargaining point always is, we want lower credit scores for a broader market and the GSEs are resistive because they want profit. So that's kind of the status of the marketplace that we have to contend with. Are there any questions?

CHAIRMAN WALLACE: Bob.

MR. KLEIN: When you say your loss ratio is 20 percent of premiums, what does that equate to as a default percentage? And three years ago when you had 80 percent loss ratio premium what did that equate to?

MR. SCHIENLE: Well, our target is about 50 percent and the 50 percent equates to about 1 percent of the portfolio per year. So it's about an 8 percent frequency in about 10 years.

MR. KLEIN: That's your target.

MR. SCHIENLE: And that would equate to a 50 percent loss ratio. So to the degree we were at BO we would have had a higher default at that time. The other factor to consider is severity because we're insuring up to 50 percent. That has been a major swing in terms of each loss.

MR. KLEIN: Right.

MR. SCHIENLE: Had reached about 35 percent three years ago. It dropped down to about 25 percent the year before last and now it's under 25, approaching 20.

MR. KLEIN: So you are 60 percent ahead of your target.

MR. SCHIENLE: Yes.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: Anyone else want him to repeat that? We agree with you, John. Any other questions? Angelo.

MR. MOZILO: John, first of all, I want to compliment you on a job very well done. And did you know you are fighting an uphill battle with the GSEs? Because of the way they are structured, for a profit motive, stock options. So the one thing you have going for you, they have gone deeper into the credit cycle, into lower credits, in order to get higher profits.

So that half of the battle is over with, where we attempted to get them to take lower credits and broaden the spectrum of acceptability for the home buyers of the country. But the second part is the pricing issue and the whole issue of private mortgage insurance and their desire to insure more themselves and less on the outside. But I encourage you to keep on fighting the good fight.

I also would like you to think about, particularly with Fannie Mae. In dealing with them on a separate issue relative to what we're trying to do in California -- Because they do have a desire to lower the barriers of entry and to make it affordable. There is a segment of Fannie Mae that wants to do that. And I think that maybe we can deal with that on a separate basis with them, appealing to them to listen to what we're trying to do and maybe deal with our issues separately than deal with the broader business plan that they have. So I encourage you to keep at it and to the extent that I can help I'd be glad to do that.

MR. SCHIENLE: Thank you.

CHAIRMAN WALLACE: Thank you, Angelo. Anything else for John at this time? Okay, should we get back to multifamily then, Dick.

MR. SCHERMERHORN: Okay. The multifamily five-year game plan looks like this, basically a straight line. New construction, acquisition rehab, special needs and preservation were the major categories in which we are projecting activity. This was the projection, totaling about

$126 million in final commitments for this year. Where we are at this point. We have got, excluding today's activity, this amount of loan commitments aggregating in these categories. With this amount of application activity, which would be inclusive of today's activity, and totaling out. If it all materializes by the end of this fiscal year this is what we are looking at in terms of loan commitments for the year versus the goal.

The major shift -- And I need to give you some definitions here. As you may know from our previous discussions we talk in terms of preservation as the broader definition. Any way we can acquire existing housing, extend the affordability, deepen the affordability, hold the affordability, that's a preservation activity for us. So by definition, acquisition rehab falls into that category. For housing preservation purposes we are more narrowly defining that in our discussions and identification of activity as at-risk. Section 8 activity that is in some way, shape or form at risk, can we do something about it?

This is where, although it didn't look this good last year given the churning around that we were doing trying to get our handle on what worked, what didn't work, where was the market and what was their interest, we have started to develop some activity pattern here that as more of the marketplace becomes aware of the fact that we are doing the acquisition financing program, that we are working with them in terms of trying to do affordability, we may see an increase in this particular category. The $20 million that is in this goal is for the acquisition financing program and this total of activity going on doesn't necessarily reflect all acquisition financing. It's a combination of acquisition and permanent financing for that purpose.

Our HAT Fund programs that support the multifamily activity, at this point we're looking at by the end of the year about half of what we were talking about. Although it's not known yet. The unknown at this juncture is how much demand may still be generated out of the applications for things like the standby subsidy support, standby operating reserves or bridge loans. We don't know all the answers to that yet so this number could well change before the end of the fiscal year. This is what we know of it at this particular point.

I'm going to go into a discussion on objectives, but before I do, any questions on the multifamily? Okay. Oh, here we go. Okay.

MS. HAWKINS: I think I'm the Chair.

MR. CZUKER: Madam Chairman.

MS. HAWKINS: Yes, Mr. Czuker.

MR. CZUKER: Dick,I wonder if you could comment on how we have had such low volume in new construction. It seems like, from your earlier description, the acquisition rehab $30 million budget could be absorbed under the broad definition of preservation, giving you $50 million in preservation as a budget. But new construction, under any circumstance, would have been grossly under-utilized. Can you give us some comment on why the --

MR. SCHERMERHORN: Well, okay. Let me answer this in a two part fashion. One is, these really aren't budget. When we view multifamily, it's really the total amount that we're looking at in terms of how much resource do we need to incorporate into the Business Plan to accomplish this total. Now whether it comes as new construction or preservation or acquisition rehab is not critical in the mix. That becomes an issue of what's our program emphasis. Because the financing, we're either doing tax exempt or we're doing taxable and it's known what it's going to cost us to do those things. So in terms of the mix it's a question of which way are we going.

New construction activity has primarily gone towards tax credits. We have not been competing-and that's an issue I'll get into -- That's one of the issues that's in the fundamentals of our multifamily program activity is, we're an alternative financier. We are not trying to compete with the marketplace in terms of their providing financing for affordable housing. If there is marketplace financing for affordable housing, which is the case for new construction, then fine.

What we have this past year been putting a lot of effort into is, can we support special needs and, mostly, preservation. What is it that we could bring to the marketplace in preservation? If we do this business activity, we have resources allocated to support at least this amount. If we do this amount of activity then we're fully utilizing the resources that we have available for multifamily, we're just achieving it here rather than up here. The problem with new construction is they need an equity source and the equity source is coming from tax credits and tax credit financing is very attractive for a lot of lenders besides ourselves. Okay, fine. Then we have been putting our resources here into trying to get preservation activity on line, which isn't being addressed as broadly or as well by other financing sources. That's kind of where it's at.

MR. CZUKER: Thank you.

MR. SCHERMERHORN: Now, it does open up the question about, where do we go from here, and I would suggest that that's the dialogue, when I finish with the other slides, that's the dialogue you may want to engage in.

MS. HAWKINS: Mr. Wallace , we are in Item number 7 and Mr. Klein is next on the agenda.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: On the new construction side. As the available preservation projects disappear in the high cost areas of the state, new construction will become more important as the only alternative left. And in the high cost areas of the state there is a state rule that is currently limiting the tax credits that these projects can qualify under. Basically that state rule sets qualified basis limits. And under the old 221(d)(3) adjustments for high cost areas it doesn't adjust to capture all of the bases.

At least looking at the construction costs in high cost areas that I've seen from our applications as well as outside of our applications in the normal market, there can be as much as 20 percent or 25 percent of the total cost that's outside the qualified basis limits, therefore causing us to provide more subsidy or making the project just infeasible.

Given that tax credit pricing yields are falling and that more credits are being received for the qualified bases available, this problem is becoming even more sensitive since it does not cost the state of California anything to address this problem. Because on the 4 percent credit projects the credits are coming with the bond allocation. I mentioned to Terri just last week that this is an area that I thought we should take a look at since TCAC is in a rule-making cycle at the moment.

But from the numbers I have seen personally on a project with, let's say, a 10 to 12 million dollar total cost, that's about $140,000 or $150,000 per unit in high cost areas where you have subterranean parking, elevators in buildings, four or five-story construction. A substantial portion of the tax credits are being lost, as much as a half-million dollars in proceeds or more, on a project of that scale. So my question to you is: Is the staff considering making any recommendation in the current TCAC round to deal with this problem or any other problems that make new construction less attractive on the 4 percent credit projects?

MR. SCHERMERHORN: Yes, we have been providing our input to Tax Credit and we would do so. I don't think we have finished our thinking about this issue. I can appreciate that there are two sides to that question. The point that you are raising does go to the issue of, does the project get the full benefit. On the other hand, there is an issue of how much are you going to put into a single project versus a number of projects. There's a legitimate discussion nround that and I don't think this is the appropriate time nnd place for that one.

MR. KLEIN: Maybe I didn't --

MR. SCHERMERHORN: That really is -- But to your basic question, yes, we are considering input and we have been giving input from our viewpoint to both Tax Credit and CDLAC.

MR. KLEIN: I was not asking the question, what is the maximum cost per unit that we are prepared to finance. I was only narrowly asking the question related to these adjustments. As you know, even the other related issue, which we can't change at a state level, is that even within counties -- For example, in Orange County, part of Orange County is considered a high cost area and part of it isn't. It varies by census tract. And there's substantial tax credits also being lost because that mechanism is not working for California. But I would suggest that it would be good to find, for the next meeting, what the staff's recommendations are in this tax credit area. Because it appears that there is significant amount of tax credit proceeds that projects cannot access because of the way these rules are functioning.

CHAIRMAN WALLACE: Okay. And I know you've talked to Terri about that so the ball is in our court.

MS. PARKER: Mr. Chairman, I think we have talked a little bit about this; we have had some informal discussions with the Treasurer's staff. And I think they have been more along the lines of giving the Treasurer's Office some examples where the limits have been difficult for projects to make work. I don't think that we have taken the next step to essentially suggest what should the limits be changed to.

I think we have taken more of a role of trying to give them some information about how the limits have worked in some real life examples and offered, in that sense, to the Treasurer's staff, the benefit of not coming in with a particular agenda. That might be the case from a, not a public entity such as ourselves, but a private source. To give them the benefit of some information to help them in their decision-making process.

That's kind of what we have done, is to help the process by giving them some information that might help them be looking for what might be some directions to go. Not taking the role of coming in. Because I don't know that -- We certainly haven't come to any conclusions from the staff perspective of where to recommend them to go. So we have been trying to assist the process productively by pointing out, certainly, where the shortcomings, the shortfall is of sort of how the existing program is working in actuality. Particularly in our projects.

CHAIRMAN WALLACE: Okay, moving on.

MR. SCHERMERHORN: Okay. What I'd like to cover now in the next two slides, basically, are the fundamental objectives that drive the current Business Plan activity. These are the assumptions in which we look at, in our best judgment, what to recommend to you. What program activity, with what resources we have, we think we should be doing and can successfully accomplish against the fundamental Agency objective of serving low and moderate income homeowners and renters.

In single family we currently have, what's driving the process is a production goal of $1 billion. The Governor asked the Agency if we could do it this year. It looks like we're going to meet it and our Business Plan shows it continuing for the next five years. But in order to do that it is going to require sufficient private activity bond allocation to support that and a continuation of leveraging capability, which is going to be increasingly difficult because one of the key elements of that we will be losing over the next few years.

We have sub-objectives. The loan fund availability 365 days a year has been a major positive when we revamped the program to the over-the-counter system. To keep our lender network active with us year round, interested in our program activity, and when we made adjustments and went for program thrusts they were current, knowledgeable and helpful in our achieving those things. So that has been a very successful sub-objective for us. One that is in the Business Plan and we need to know whether that's what we still want to do.

Equitable distribution of loan funds statewide and balanced use of funds between new construction and resale are coming into conflict. I will, without sharing a bunch of numbers with you, you can reasonably deduce if the bulk of the state has moved into urbanized areas and you have got large areas of population that are built out, you are not going to have a whole lot of new construction activity. The new construction activity is taking place in lower population areas.

And if we're trying to use $1 billion dollars worth of resources equitably distributed by population in the state, to continue to achieve a 50/50 split between new construction and resale is a struggle and it's not occurring right now. For the past two years it has not occurred. We have been in the 60 percent range of resale to 40 percent new construction at best. It's a very difficult thing to do because of the character. The state has now started to age so there is existing housing stock. And if we're trying to be equitable throughout the state it runs into --

So it's a program issue that we need some guidance about in terms of where do we go. Do we continue to try and do this? And if so, we will look at how we best might be able to achieve this. There are some things that we could try out. But I just bring it to your attention. It's an issue if we're going to keep trying to produce at least $1 billion a year. That's the basic objective driving our

787

single family program activity in the current five-Year Business Plan.

CHAIRMAN WALLACE: Why don't we take just a few minutes and kick that around here, okay?

MR. SCHERMERHORN: Okay.

MR. MOZILO: Mr. Chairman.

CHAIRMAN WALLACE: This isn't brand new. This is precepts we have been operating under for some time and it's time for us to reevaluate. Angelo.

MR. MOZILO: Dick, what's driving the 50/50 rule? In light of the fact that the percentage of resale activity far exceeds that of new construction, not only in this state but throughout the United States, what --

MR. SCHERMERHORN: The Agency has a -- So that I do not incorrectly represent this. My bond counsel here?

MR. DIRKS: There are statutory provisions that favor new construction. I don't have the statute here to pull it out --

MS. PARKER: The language. The language basically says *legislative intent* to have the Agency give a preference --

MR. SCHERMERHORN: At least SO percent of our single family activity for new construction. It has been determined -- There has been an opinion rendered that that is an aggregating number. We are not bound to that year by year. We have attempted to do that, but everybody does recognize that real estate cycles do change and you do have periods of more resale activity and then new construction push. But over time -- Our portfolio right now is pretty close to 50/50. It's been running about 51/49 in favor of new construction but the recent year's resale activity is going to tip it the other way. And we could, trying to achieve production in the fashion that we're doing it right now, start running afoul of the statutory issue.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Plus there's some raw political basis for that statutory --

MR. MOZILO: I'm sure it's the lobbying power of homebuilders that prevails over reality.

CHAIRMAN WALLACE: Yes. And to be more realistic, with all we have heard, you'd be in a donnybrook with them probably to go back to the Legislature and do what is heresy, because I come from those roots. But to overturn that wouldn't be an easy political feat, even though it's probably what should be done.

MR. MOZILO: Well, I think to be fair it should follow the ratio of new construction versus resale to be in concert with what is happening in the state. But I didn't realize it was a statutory issue, which brings a whole new challenge.

MR. SCHERMERHORN: I don't know. I think you could make a case the other way. That the Agency's role, given where we're trying to serve, that there is a reason, a programmatic reason, to try and maintain the 50/50 ratio. Because the new construction is going into expanding areas and it is an early-on opportunity to assist low and moderate income to get into those areas now before they start building out and prices get out of whack to what these kinds of programs can do. You could build a case that as a public purpose the Agency might focus its attention on trying to achieve that, rather than necessarily just following what the marketplace is doing.

The problem with trying to fashion that game plan, though, is our other sub-objective, which ties to the CDLAC allocation process, is doing an equitable distribution of our resources around the state. When you're trying to achieve 29 percent of our distribution in Los Angeles and in the high population areas which are primarily resale markets now, you have got a conflict.

MS. PARKER: And that is further exacerbated by the Eact that CDLAC also has asked all of its issuers to try to ɔe able to target lower income buyers, which are typically ɔeople who are (indiscernible).

CHAIRMAN WALLACE: Giving rise to this issue ɟoesn't mean we shouldn't take it on. I'm just saying that we now know there are statutory impediments, and we have known there's political impediments. Maybe it's time to take a fresh look. Sure, you can fashion a rationale for that, particularly in the time when CHFA was created. It creates all kinds of employment opportunities and things that were recycled back into the economy, it's great. Even though the public perspective, I can tell you as a developer being out there the last 20 years, is not that favorable to that rationale. Having said that, you raise a good issue and that's why we're bringing these to the forefront right now. Carrie.

MS. HAWKINS: I was just going to state what you already stated about the political consideration.

CHAIRMAN WALLACE: I'm sorry, I probably didn't do as good as you could do it. Do you want to try it again?

MS. HAWKINS: No, you did it great.

CHAIRMAN WALLACE: Bob, did you have a question, or Julie?

MR. KLEIN: Yes. Why doesn't Julie go first.

MS. BORNSTEIN: No, I did not have a question.

MR. KLEIN: Okay. I was just going to say that the Legislature has never been bashful about saying required when it means required, versus intent, I'd like to see the opinion. Because generally, unless it's just an exceptional case, where the word intent is used, the legislative history would suggest that it is not mandatory. It is in the form of stating a goal rather than a requirement. Because in every single case in the origination of this legislation, when they meant required, I can assure you they put required in.

CHAIRMAN WALLACE: You were there.

MR. KLEIN: I was there.

MS. HAWKINS: Yes, he wrote it.

MR. KLEIN: So I really believe that we might want to take a look at this section and see if we have some room to accommodate, as Angelo said, what's really happening in the market, more appropriately.

CHAIRMAN WALLACE: Well, I think it is time to revisit it. I think we're all feeling a little bit constrained by this 50/50 rule. And it's going to only get worse. And if it means a political reentry, maybe it's time to reenter. So Bob makes a good point, Terri. I think we should look at the statutory requirement and legislative intent. Revisit this with the idea in mind to maybe have some subsequent action. Okay?

What else on the list? Equitable distribution of loan funds statewide. That's a tough constraint, especially in light of the one we just discussed.

MR. SCHERMERHORN: Yes, but we have been doing pretty well with it. It has been a basis for allocation. I'm not sure whether that stays as important in the foreseeable future.

CHAIRMAN WALLACE: But if the market doesn't want us, LA's market doesn't want us.

MR. SCHERMERHORN: Yes, but it does -- But whether there is an allocation basis that way or not, I think it's reasonable for us to consider, is it appropriate as a matter of program policy for us as a statewide agency to attempt to make available our resources equitably throughout the state. Now you get into a question of how do you determine equitability.

Within the staff we have worked with this issue from time to time, and from a real estate standpoint population may not be the best way to measure it because single family is only one of two major housing resources, the other being rental. And some market places are more rental oriented than they are single family, therefore, just doing it on a population basis may not fully recognize the reality of what kind of real estate product should be going into these areas. Having said that, the fundamental notion, though, of equitable distribution is probably a reasonable and good objective for a public agency.

CHAIRMAN WALLACE: Okay, so you're giving rise to the question of maybe there are different ways of measuring that. And I think we should take a look at that.

MS. PARKER: Mr. Chairman, a couple of things: I think that what we have tried to accomplish in the last couple of years with the distribution of the program. Certainly one of them is to react to concerns that we were doing primarily all of our lending in the Central Valley. In that sense trying to push this resource to areas where you look at the affordabilty, because the affordability levels vary, even though we are doing our income tests based on median income. Housing prices aren't necessarily a reflection of what median incomes are and it varies dramatically. The median income can't buy a house very successfully in the Bay Area at all.

But what we have been trying to do is have a greater geographic distribution. Because the other problems that CDLAC has had in making the allocation was giving the state, CHFA as an issuer, essentially the last couple of years, about half the allocation and the locals half the allocation. Up until this year the local allocation was really based on what CHFA's performance was. If we did really well in an area then the locals didn't get much in that particular area.

What the CDLAC committee has decided to do is to have an agreed-upon divorce between the state and the locals so that our production won't be a factor on how much the locals will get, a committee will decide that independently. But the point being is that if we are good about doing our equitable distribution, then we essentially, if we get half or some amount of the allocation, we are not seeing that between what the locals get and what we would get, that some area is grossly disproportionately served by resources.

Having said that, there is one more point and it's really what Dick has said. We have been trying from the staff perspective and the management perspective to go a step further to find out where this product can be utilized. Because we frankly have concerns about being able to do an equitable distribution if there is no product that is available, for example, in Marin County. And we have been trying to work with *CAR* to get most recent information on their multiple listings. Bill has been having a number of discussions. We have gone down and we worked with their data collection people because we are not sure, frankly, if there is anything that would meet the sales price limits that available in some of these areas. So in that sense the committee will have the policy decision about, even though you want to try to serve San Francisco or Marin County we may not truly, because of federal limits, be able to do anything.

So we think it is an important factor to try to serve, because that is our statewide role. But there may be things totally outside our control that there's nothing we can do short of going to the federal government and having them be willing to change tax structure because of the realities of the market in California.

CHAIRMAN WALLACE: Well, I think as a general goal, equitable distribution of loan funds statewide is desirable. But it's a fiction too, for reasons that you have just described. So let's revisit it, relook at it. Are there other ways of measuring it? Or is that a desirable goal for us? Should we focus in the area of greatest need? That's desirable. I think we need to look at these last two on here. Revisit and talk these through.

The first couple, 365 days a year is a desirable goal. If you're not in the market as a lender 365 days a year -- We were there and this is -- I wouldn't change that. That's just me talking. And the first one, if the Governor says he wants a billion, we jump, don't we? I used to when I ran a department in the state. So I don't think we need to spend a lot of time on that unless we can top it.

MS. PARKER: Well, that one is a factor that we have to jump together with the CDLAC committee.

CHAIRMAN WALLACE: Sure, sure. So the first two I think are realities about which we either cannot or should not spend a lot of time reanalyzing. The latter two I think may have some fruit for further analysis. Is there anything else? We have been kind of operating ever since I've been on the Board under these basic single family objectives and that's why when Terri and Dick and I discussed a couple of weeks ago, let's put them back out id front of the Board for reanalysis and/or change or additions. And we don't have to do it all today. I see we're running a little tight. But I'd like you to be thinking about these things. And at least the latter two, let's program some further discussion.

MR. SCHERMERHORN: And so that the Board all understands, part of our process getting into March and May involves we have structured meetings with our client groups. When we have those meetings part of that discussion is either a reaffirmation of, here's the objectives of our Business Plan, the indication is we're going to be continuing in this direction. What tweaking do we need to do, what do you need what do you think of it? Or, we're contemplating making a substantive shift, what's your input to it. We bring that information, factor it into our preparation and bring that information back to you all. Just so you understand.

CHAIRMAN WALLACE: That's good.

MR. SCHERMERHORN: It had quite a bit to do in single family, when we made the major shift from the old process to the over-the-counter process. Our client group was very involved in that and that did make a big difference and has stayed in tune with that all along.

CHAIRMAN WALLACE: Any further input then or are we in sync so far? School is still out.

MR. SCHERMERHORN: Okay. Multifamily.

CHAIRMAN WALLACE: Yes.

MR. SCHERMERHORN: Fundamental objective in multifamily, as you have heard me say on a number of occasions, is the Agency devises its programs and its activity on the street as an alternative lender. We are not trying to compete with other available resources that will finance affordable housing. We try to augment it, we try to fill gaps that aren't being met. As an alternative financier the kind of directions we have taken is we have provided long term, 30 to 40 year fixed rate mortgages, which have not always been available in the marketplace. Special needs financing, which you are more familiar with, has been a focus of ours in recent years. Preservation financing.

And one of the outgrowths of our focus group meetings a couple of years ago was the rate and product neutral objectives. We used to do, some of you may recall we had a little issue about that at the Board back three years ago. We used to do some rate and product preferential treatment of sponsors or product type, whatever. There was a definite consensus among all the players who we talked to about this, nonprofit/for profit, that the Agency's lending activity in multifamily should be rate and product neutral. Do the best you can to support affordable housing but keep it rate and product neutral to the extent that you can.

Obviously, samething like a 501(c)(3) is not neutral because it is limited by law to a qualified nonprofit sponsor. But in terms of the product activity that we do offer, we can be rate and product neutral. That has been part of our objective activity. Some of you may not have been aware of that but that is one of the results that we got out of our group meetings.

(Mr. Hobbs exited the meeting room.)

That's where we're at. That's how we would be preparing the next Business Plan. Unless we get direction to the contrary our effort will be focused on building on what we have been doing to date as an alternative financier and identifying those things that we should continue to do, those things that are no longer workable or relevant, and what additional things that we can do. That's kind of the question on the table.

CHAIRMAN WALLACE: How do you feel about it? Any change? Any redirection? When you talked about rate and product neutral was that part and parcel of the discussion of nonprofits versus profit-making entities getting --

MR. SCHERMERHORN: It was that one.

CHAIRMAN WALLACE: Yes.

MR. KLEIN: In that context, on the acquisition loan program. My understanding is that there will be 100 percent acquisition financing on this bridge or interim acquisition financing for nonprofits and 95 percent for for-profit sponsors?

MR. SCHERMERHORN: That's a statutory limit.

MR. KLEIN: Statutory limit.

MR. SCHERMERHORN: By statute we can only do 95 percent for for-profits. We can go to 100 percent for nonprofits and public agencies.

MR. KLEIN: I was actually going the other way in that in this specific tool, because we have a different level of risk, my question is, I would assume that you're using only very well established nonprofits. I understand that's the policy, that have depth and experience and they have liquidity. I would ask the question given this level of risk, whether they both should be at 95 percent, rate and product neutral. Because we are taking a significantly higher risk in this situation.

I am concerned about also understanding specifically, on a going forward basis, what the underwriting standards are in this special product, which I think is a very good product, which is the acquisition financing per se. Specifically, what are the liquidity standards? I understand they are higher than for the normal developer because if there's a problem here it's going to be a major problem. Certainly you have shown us in the choice that you made. You chose a very seasoned developer that the Agency knows and is comfortable with so I would understand there is a longer track record, exposure and experience with the Agency that would be required.

But my experience on this type of a loan is, in fact, to get the top 10 percent as a recourse loan in the private sector outside the Agency. Now, the Agency has different objectives than the private market and is trying to help things happen that can't happen in the private market. And where you're doing a preservation project in particular, where there's predictability in the bond allocation and therefore predictability of the credits, I don't have as high a level of concern.

But if we have a project that might potentially have a lower rating under the new CDLAC point scale so there would be more risk of whether we'd actually get the allocation, I would like to understand how we're going to differentiate the acquisition loan policy in'that situation. I think it's a very good product.

MR. SCHERMERHORN: Okay.

MR. KLEIN: But I'd like to understand it.

MR. SCHERMERHORN: First off, you may have a misconception. We don't have a policy or standards on borrowers. As our focus on underwriting is on the real estate we do not do like a conventional lender does and lend on the borrower. Any of these transactions you have looked at you're looking at the real estate risk and that's what we focus on. We will entertain applications from any qualified borrower and we make a judgment based on the product and the real estate.

Now, if the qualification of a borrower comes into play, if they're going to own and manage, how much experience do they have. The ownership, they have to be credible but we're not applying some standards to it and we have not to date entertained any kind of recourse lending. The position has been with the Agency it's not considered an appropriate direction to go for an alternative financier. What we're trying to accomplish from a public policy standpoint.

How we come at the real estate is the real estate. Whether that owner is there today, tomorrow or not here at all is of less concern to us than, is the real estate good. Do the economics, do the markets support this product? And in the case of acquisition financing, how credible is the takeout strategy, whether it's by you, the borrower or us. That's what we're doing.

MR. KLEIN: As a Board Member, on acquisition financing I draw a huge distinction. As to construction or permanent financings on other projects where we don't have that kind of gap risk I completely agree with the approach and have agreed with the approach. On acquisition financing where there's a risk that we will not get the bond allocation on which the values and the uses are being determined in significant part I have a difficulty believing that we shouldn't have very specific standards as to the borrowers on that narrow product.

MR. SCHERMERHORN: Well, the reason is because if we don't have a guarantee of the allocation on the project then our analysis of the real estate is not going to assume. The worst'case scenario is not going to assume that it's going to be there. How is the real estate going to perform if it doesn't get it? That's what the evaluation is. And some deals won't work. There are deals we won't do if it can't pass that litmus test.

CHAIRMAN WALLACE: Mr. Czuker,

MR. CZUKER: Two quick questions. One is on the acquisition financing, since that's a topic that we just discussed. Are you already imposing the affordable housing restrictions at the acquisition loan or only upon conversion to the permanent loan?

MR. SCHERMERHORN: That was a good question that was raised earlier and we will -- I think we've generally agreed that we should be imposing the restrictions at the point in time in which we first go into the financing.

(Mr. Mozilo exited the meeting room.)

MR. CZUKER: At the acquisition?

MR. SCHERMERHORN: At the point of acquisition if that's where it's at.
MR. CZUKER: And then secondly: Obviously, with the increase in demand, as shown by performance to date, as the word in the community and throughout the state gets out there that these preservation financings or more difficult types of product people should bring to CHFA to see if CHFA can help with the preservation projects, your demand keeps growing. What you have seen so far perhaps is not an indicator of the levels of activity that are possible but rather that there's an increasing and growing demand in the shortfront. Is CHFA prepared to increase its budget or its activity level above $126 million in total, presuming that the demand is there and the volume comes through the door?
MR. SCHERMERHORN: That's your question --
CHAIRMAN WALLACE: Yes.
MR. SCHERMERHORN: -- to answer.
CHAIRMAN WALLACE: I think the answer is, we would make that decision. So far it hasn't. In fact, we struggled the last year or so. But I think my sense is most of us are pretty open. If we could find a greater niche there, Ed, that we probably would take a real hard look and dive in.
MR. CZUKER: Meaning to increase the budgets or to increase the goals for the multifamily sector.
CHAIRMAN WALLACE: Correct. That's my sense.

all will make that decision. But we have been struggling -- We saw that as an opportunity and we cast about for a program. The first blush didn't work so we changed in mid-course and now we're maybe finding a greater role. And I think what you're saying could well be true. We may have just scratched the surface. So we're continuing to be open-minded to expanding into that arena.

MS. PARKER: Mr. Chairman, the staff would come back and we would have some discussion with you all about depending on what levels we wanted to try to accomplish. From an administrative standpoint what we would need to do in order to achieve that. I think we could get Jackie in here to have a discussion.

Because, obviously, we would have to look at how we would essentially have the staff available to accomplish higher production goals and our ability to essentially recruit and retain top, qualified staff in that kind of environment. We'd want to be able to have a full discussion about resources leading to accomplish the work so that we have a good balance. If there are applications that we essentially have the inside infrastructure to accomplish it.

CHAIRMAN WALLACE: That's all part of the mix but certainly I think our minds are open. We need to move on unless there's any further -- Yes, Kristin.

MS. FAUST: On multifamily. If we're looking at it the same way we did single family about which items to kind of open up again for discussion I would just like to say that the fundamental concept of alternative lender, I think we need to throw that back on the table and at least get clear on the definition of what we mean when we say, alternative lender. We may decide, yes, that's what we want to be, but what are we juxtaposing ourselves against. Where is the marketplace right now. So I don't want to take that off. And we may decide to focus on these niches but I think we're going to have to get really clear and have some kind of discussion on what it means to be an alternative lender, and if indeed that is where we want to stay.

CHAIRMAN WALLACE: Yes, we do that about every --

MS. FAUST: Right.

CHAIRMAN WALLACE: There's a life cycle to alternative lender, but basically every three or four years that comes up. We say, is that really where we want to be. In my couple of iterations through those cycles we have ended up here. That doesn't mean it's inviolate, Kristin, so sure. Basically, we are not trying to compete with the market, is the definition. But why don't you come back next time and give us a better definition than that and we'll talk again. Make sense? Fine. Anything else, Kristin?

MS. FAUST: No.

CHAIRMAN WALLACE: Okay, anyone else? Okay, we have given you a little bit of direction, Dick and Terri. Let's move on, then. Nothing else under Item 7? I hope, right?

MR. SCHERMERHORN: No, not from me.

RESOLUTIONS *00-05* AND 00-06

CHAIRMAN WALLACE: Okay. Moving on to Ken, Item 8. He's got some new handouts for us, I see. So why don't you set the stage for what we always do annually at this time. In regard to Items 8 and 9, isn't it? Yes.

MR. CARLSON: That's correct, Mr. Chairman, thank you very much. For the last ten years or so, ever since the Board went to bimonthly meetings instead of monthly meetings, part of the price of that is the delegation to staff of authority for all of our financing activities. That delegation is now on an annual process, which we try to do at the beginning of each year, and we again ask for that authorization.

(Mr. Hobbs re-entered the meeting room.)

One of the representatives here on the Board has asked that the resolutions that we offered be divided into two pieces so that a particular item could be voted on separately so we have asked our counsel to separate these resolutions. So we have now an 05A and an 05B and then an 06A and an 06B. The B portion just includes the authorization for staff to apply to CDLAC with a limitation on the amount in both multifamily and single family.

(Mr. Klein exited the meeting room.)

Just quickly, if I may give a presentation on both of them at the same time.

CHAIRMAN WALLACE: Yes.

MR. CARLSON: Then you can take all the actions. Generally they allow the staff to sell and issue bonds throughout the year, according to whatever schedule makes sense, and there are limitations on the amounts of bonds that can be issued. Generally they relate to the amount of bonds that are being retired in conjunction with the issuance of' new bonds. They relate to the amount of private activity bond allocation that's given out and they relate to bonds that don't need allocation. For example, taxable bonds, or in the case of multifamily, 501(c)(3) bonds.

This would also authorize all the related financial agreements to be executed throughout the year, including agreements for loan warehousing, credit enhancement liquidity, interest rate hedging including interest rate swaps, and the forward delivery of bonds. This would also allow us to borrow more money from the Pooled Money Investment Board if we chose to ask them for additional borrowing.

Both of these resolutions would expire 30 days after the first meeting in the year 2001. What I would suggest is we just go through them one by one. Resolution 05A relates to single family, provides us with all of our authorizations that we would need. Then 05B separately refers to the authorization to staff to apply up to $600 million of private activity bond allocation. So if there are any questions, I'd be glad to answer them at this time.

CHAIRMAN WALLACE: Most of us have been through this drill before and our predecessors for the last ten years have found that this works well for us. And there are sufficient safeguards so that it allows Ken and his staff to dart in at the right time without a special Board meeting. So I suggest it's the right and proper thing to do.

The reason for the bifurcation is the Treasurer's Office wants separate, I guess, on both of these, 05B and 06B. And Kristin, you can discuss that when we bring it up. But the Chair would recognize a motion on 05A at this time.

MS. HAWKINS: I'll move on 05A.

MR. HOBBS: I'll second.

MS. FAUST: May I ask one question?

CHAIRMAN WALLACE: Hawkins and Hobbs have moved and seconded; is there discussion? Kristin.

MS. FAUST: I had one question. We were just wondering, if the resolution is passed does that mean that if a new indenture is created whether that would come back to the Board for authorization?

MR. CARLSON: The way these resolutions are written is that as long as the new indenture was not significantly different from the kinds of indentures that the Board has already approved it would not need to come back for re-authorization. And as I did mention in the staff report, we areconsidering the possibility of a new indenture for the single family program that would be fairly similar to the one we have now but might involve the general obligation of the Agency and might cover -- would deal with certain inflexibilities that are built into our 1982 indenture when not everything was thought of that long ago.

MS. FAUST: And so you would see that possibly not necessarily coming back to the Board?

MR. CARLSON: I think that's right, yes.

MS. FAUST: Okay, thank you.

CHAIRMAN WALLACE: You're welcome. Any further discussion? Wearing none, secretary, call the roll.

MS. **OJIMA:** Thank you. Ms. Faust?

MS. FAUST: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. **OJIMA:** Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-05A has been approved.

CHAIRMAN WALLACE: Moving on to 058. The Chair will entertain a motion to approve 058.

MR. CZUKER: So moved.

MR. HOBBS: Second.

CHAIRMAN WALLACE: Mr. Czuker?

MR. CZUKER: So moved.

CHAIRMAN WALLACE: Mr. Hobbs?

MR. HOBBS: Second.

CHAIRMAN WALLACE: Second. Any discussion on 05B? Dkay, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: The Treasurer wishes to abstain on this vote. As Chair of the CDLAC committee we felt that was the right thing to do.

MS. OJIMA: Thank you. Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye. And I think that does meet the ninimum requirement.

MS. OJIMA: It just meets. Resolution 00-05B has oeen approved.

CHAIRMAN WALLACE: 5B is approved. Moving on to 36, having to do with multifamily. For all the same reasons :he Chair will entertain a motion.

MR. HOBBS: Mr. Chairman, I'll move resolution 06A.

MR. CZUKER: Second.

CHAIRMAN WALLACE: Hobbs and Czuker second. Secretary, when she gets a chance, call the roll.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No'response).

MS. OJIMA: Mr. Wallace?

MR. WALLACE: I got you, don t I? Aye.

MS. OJIMA: Resolution 00-06A has been approved. Thank you.

CHAIRMAN WALLACE: And 06A has been approved. Entertain a motion on 06B.

MS. EASTON: So moved, Mr. Chairman.

CHAIRMAN WALLACE: Angela.

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: And Hawkins.

MS. OJIMA: Thank you. Ms. Faust?

MS. FAUST: Again the Treasurer will abstain and thank the staff for separating the motions.

MS. OJIMA: Thank you. Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-06B has been approved.

CHAIRMAN WALLACE: 06B is approved.

OTHER BOARD MATTERS

Are there any items under number 10 from the Board?

MS. PARKER: Mr. Chairman?

CHAIRMAN WALLACE: Yes.

MS. PARKER: Two things. One of them, Ken has passed out his most recent report of the bond sale. In your spare time I would encourage all of you to look at it. Ken and his crackerjack staff have done an outstanding job. The swap essentially reducing the cost of funds by about $6 million and allowing us to continue these outstanding interest rates for our single family program.

We do not have a report in the back of the book in legislation because the Legislature is essentially still forming. At our next meeting Di will have a report in your binder of what bills are being introduced we think will be of interest for you.

CHAIRMAN WALLACE: They're still forming in the Legislature? That's a really good term, Terri.

MS. PARKER: They are forming their ideas.

CHAIRMAN WALLACE: Some of them are going down as we speak. I'm supposed to be up there this morning. Fine, I think, in essence, there has been no activity in the Legislature. The 31st of January is kind of the target date to get your bills out of the house of origin so it's appropriate to have a bye here and we'll expect that next time. Having said that, are there any other Board matters that weren't agendized that should be brought to our attention?

PUBLIC TESTIMONY

Are there any members of the public that wish to, under Item 11, submit non-agendized items? And hearing none we will -- I'll remind you that the next meeting is March 9th in Sacramento at the airport and we are adjourned until that time. Thank you very much.

(Thereupon the meeting adjourned at 12:16 p.m.)

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CERTIFICATION AND

DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber, do hereby declare and certify under penalty of perjury that I have transcribed two (2) tapes in number and this covers a total of pages 1 through 112, 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 20th day of January, 2000, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes to the best of my ability.

Dated this 9th day of February, 2000, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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Executive Summary

Date: 24-Feb-00

Project Profile:

Project :	Whispering Pines	*Borrower:*	TBD
Location:	7610 Amherst Street	*GP:*	ACLC, Inc.
City:	Sacramento	LP:	TBD
County:	Sacramento	*Program:*	Taxable
Type:	Family	*CHFA # :*	00-004N

Financing Summary

	Final	Per Unit
Acquisition		
CHFA Loan Acq.	2,000,000	$20,619
Developer Equity	829,500	$8,552
Permanent		
CHFA First Mortgage	$1,100,000	$11,340
HUD - IRP Loan	$330,000	$3,402
HCD Hsg Program	$721,178	$7,435
Sac HRDA	$398,824	$4,112
Developer Equity	$0	$0
Deferred Developer Equity	$0	$0
Tax Credit Equity	$5,656,160	$58,311

Loan to Value
27.8%

Loan to Cost
13.4%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	621	24	42%	$368	$18,675
2 BR	785	64	42%	$437	$21,015
3 BR	933	7	42%	$506	$23,355
2BR	785	2	Manager	$0	N/A
		97			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Whispering Pines Apartments

CHFA Ln. # 00-004-N

SUMMARY:

This is a Final Commitment request for two loans funding the acquisition and permanent financing of the Whispering Pines Apartments, a 97-unit family project located at 7610 Amherst Street, Sacramento in Sacramento County. The initial loan will finance the acquisition of the existing project using funds in the amount of $2,000,000. The project will ultimately be sold to a tax credit partnership utilizing taxable bond financing and 9% 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.

LOAN TERMS:	ACQUISITION	PERMANENT
1" Mortgage Amount:	$2,000,000	$1,100,000
Interest Rate:	5.00%	8.25%
Term:	2 years interest only	30 year fixed Fully Amortized
Financing:	501(c)(3)	Taxable
Standby Operating Commitment:		$110,000 from Operations
HUD-236/IRP Loan:		**330,000**
Interest Rate:		7.25%
Term:		9 years
Financing:		Taxable

Section 236/IRP Loan. The property will be acquired subject to a HUD Section 236 loan, the beneficial interest of which will be purchased by CHFA at the time of the permanent loan. The loan is being purchased to preserve the Interest Reduction Payment (IRP) which is a guaranteed stream of monthly payments from HUD for the benefit of the project.

In order to continue the stream of IRP payments, a public agency acceptable to HUD must acquire the Section 236 loan and act as the regulator. CHFA's responsibilities under the IRP agreement would be to review and approve basic and market rents, approve distributions and enforce housing quality standards. The provisions to be enforced by

CHFA will be contained in a regulatory agreement and agreed to by the owners and HUD and will expire upon the termination of the 236 loan.

LOCALITY INVOLVEMENT:

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
HCD Hsg Program	$721,178	residual receipts, simple interest	55	3.00%
Sac HRDA	$398,824	residual receipts, simple interest	40	6.00%

The Sacramento Housing and Redevelopment Agency has approved a loan of $398,824, residual receipts at ***6.0%*** interest for a term of 40 years. The Housing and Community Development Agency ("HCD") has approved a loan of $721,178, at 3.0% for ***55*** years. A minimal interest payment of $3,029 per year is required and is included in the debt service coverage calculation. The balance of the HCD loan payment is from residual receipts.

FINANCING STRATEGY:

Current Status. The 97-unit Whispering Pine project is an existing HUD Section 8 family project with a HAP contract on annual renewals.

The project is being acquired through Agency financing of a $2.0 million acquisition loan, with a 32 year regulatory restriction on the rents at 42% of county median income. The anticipated term of the acquisition loan is 2 years, with annual payments of interest only. The expectation is that 9% tax credits will be awarded to the project and the Agency will finance a $1.1 million first mortgage and an IRP loan of $330,000 with taxable funds. In the event the project is not awarded 9% tax credits, the 501(c)(3) will be extended for 30 year fixed, amortizing loan at a rate to be determined by the Agency. The CHFA Regulatory Agreement will remain on the property for the full 32 year term.

Conversion Status. There are a number of potential scenarios that could occur at the termination of the existing ***HAP*** contract. A complete termination of the Section 8 subsidy would require a conversion of tenant rents to tax credit rents. Given the uncertainty of the HAP contracts continuing after expiration, staff is requiring a standby operating reserve to subsidize project costs in the event the tenant profile changes from Section 8 to a traditional tax-exempt bond/tax credit rent structure. Funding of this Standby Operating Account will come from excess project cash. The following scenario is contemplated

- The CHFA Regulatory Agreement requires that the sponsor seek HUD renewals of the HAP contract or vouchers.

- The Standby Operating Account will be established by depositing **50%** of surplus cash during the two years of acquisition.
- The Standby Operating Account must be maintained for the benefit of the project until all units have transitioned to **42%** of current adjusted median or at the discretion of the Agency.
- Cash distribution from this reserve will be reviewed and approved by the Agency pursuant to the terms in the Regulatory Agreement.

PROJECT DESCRIPTION:

A. Project Location & Description

The project is on a 4 acre, L-shaped parcel located at the southwest intersection of Amherst Street and Meadowview Road in South Sacramento.. Access to the project is through Amherst Street and exits onto Meadowview Road. There is an open field to. the east currently owed by a church that allows the tenant to use part of the property for a community garden.

The surrounding neighborhood consists of predominantly single family residences with apartments, commercial and community uses typically located along the major thoroughfares throughout the neighborhood. Single family homes in the neighborhood range in age from new to over 40 years old. Prices range from $45,000 for an older, small home in fair condition to over $90,000 for a newer and larger four or five bedroom house. The median price within the 5 mile radius of the project $59,000.

Most retail stores are located on or near Mack Road and Valley High Drive, approximately 2.5 miles east of the project. Office development within the immediate neighborhood is limited, however, to the northeast of the project, fronting Meadowview Road is the State Office of Civil Defense. Community facilities, including parks, schools, churches, fire stations and police stations are nearby. There are at least ten public parks within the primary market area and the closest one is one block northwest of the project. The nearest elementary school is ¾ mile northeast; the junior high school and a private school are located within three blocks northwest of the project and the nearest high school is 1 ½ miles northeast of the project. The fire station is 1 ½ miles to the north.

B. SiteDesign

The project includes *97* apartments units of which 24 are one-bedroom, one-bathroom units (approximately *589* square feet); 64 are two-bedroom, one-bathroom units (approximately 738 square feet), and 8 are three-bedroom, one-bathroom units (approximately *895* square feet), of which *5* are currently rentable. Of the three remaining three-bedroom units, 1 unit is occupied by the resident manager, 1 has been converted into a community room and the remaining unit has a bedroom that has been

823 converted into an office. The Assistant Manager occupies a two-bedroom unit. The three-bedroom unit being used as a community room will be converted back to a rented unit after the rehabilitation work is complete.

The apartments are in 17 two-story buildings joined by a common walkway. The landscaping is a mixture of mature plantings with large grassy areas and courtyards traversed by sidewalks throughout the project. The courtyards include a few barbeques, a basketball court and a trellised area with benches. There is one laundry building located on the east side of the project. Behind the laundry room are outbuildings for the boilers, water storage tanks and switchgear. There is also a long room that serves as a maintenance storage space. A modular unit located just off of the back parking lot houses the Head Start program.

Steel tube fencing surrounds the project along the street frontage, and includes three pedestrian gates and two vehicular gates. There is chain link fencing along the perimeter of the adjacent properties which is dilapidated and will be replaced with fencing that matches the rest of the project.

C. Rehabilitation Work and Improvements

The current estimated rehabilitation budget is approximately $2.1 million of immediate work. The primary components of the rehabilitation plan include:

- Construction of a 3,000 square foot community building.
- Exterior painting and new windows
- Roof build-up, and new parapet flashing.
- Parking and driveway repairs, improved site drainage and landscaping, new fencing along part of the project.
- New appliances, new flooring and new cabinets in the units.
- New bathroom heaters, exhaust fans, air conditioners and new unit heating systems in the units.
- Interior painting, new doors and new blinds.
- Install hardwired smoke detectors.

D. Relocation

Due to the amount of rehabilitation work required to the interior of the units, it will be necessary to temporarily relocate residents. The Borrower has estimated a relocation budget of $300,000 and intends to rehabilitate entire buildings so the work will be completed quickly. To accommodate the rehabilitation of the buildings, a block of apartments or homes close to the project will be rented to provide temporary housing. The Agency will require compliance with any and all applicable provisions of the Uniform Relocation Act and an appropriately funded relocation reserve.

MARKET:

A. Market Overview

The project is located in southern area of the City of Sacramento ("South Sacramento") within a neighborhood that is referred to as "Meadowview". The Sacramento metropolitan area has grown at an average rate of 1.8% during the past decade. This growth rate is expected to increase during the next five years and population in the City of Sacramento is expected to reach 1,805,738 by 2005.

The general boundaries of Meadowview and the primary market area ("PMA") for the project are Florin Road to the north, Interstate 5 to the east, vacant land to the south of Meadowview Road and the Union Pacific Railroad tracks to the east. The PMA includes an estimated 33,285 households within this estimated 5-mile radius. Of those 33,285 households, 45.74% rent. The breakdown of overall apartment rental stock existing in South Sacramento is as follows: 43% one-bedroom units; 40% two-bedroom units and 12% three-bedroom units.

B. Market Demand

According to Smart Marketing Technologies, 38.1% of the population within the PMA have an average household income below $35,000 per year. Resident of the PMA are a mixture of both young and older families in the low to middle income ranges with approximately 41.2% of the population between the ages of 18 and 44.

Based on the unit size, project rents and rent levels, 29.2% of all households in the South Sacramento market area would meet the 45-60% median income limits. This would result in an anticipated demand for vacant units at the project by an estimated 889 households. Assuming a 10% vacancy rate during the project's rehabilitation phase, Whispering Pines would need to capture 1.1% of the eligible households in the market area to keep the project occupied.

Rents in the PMA have started increasing during the past 18 months and are now at their highest level in over six years. According to studies performed by the appraiser, rents have increased by an estimated $10 to $35 per unit for similar properties.

Housing Supply

According to the County and City Planning Departments, no new complexes are planned in the PMA. Since the PMA has experience decreasing vacancy rates and increasing rents in the apartment market over the last two to three years, the emphasis is on apartment renovation and rehabilitation.

In the PMA, five-income restricted projects and nine-market rate projects were reviewed. In all apartment projects, the three-bedroom, one-bathroom units there were no vacancies.

One-bedroom, one-bath units in income restricted apartments have a ***0.8%*** vacancy rate equivalent to **1** vacant unit. Market rate one-bedroom, one-bath units have a vacancy rate of 3.1% that is equal **to 20** vacant units. **In** the two-bedroom, one-bath units, vacancy rates for income restricted apartments **are 2.2%** or five vacant units, and **3.5%** or 19 vacant units for market rate. None of the apartments are offering rental concessions.

The amenity package on market rate projects generally includes a dishwasher, a swimming pool, a laundry room and a playground, but does not include a clubhouse or community center. The affordable projects generally include a playground and while some include a dishwasher and/or a swimming pool, it is not a standard amenity. The project's amenity package does not compete with those offered by market rate projects but it is comparable with many of the rent restricted projects.

PROJECT FEASIBILITY:

Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Section 8	Mkt. Rate Avg.	Difference	Percent
One Bedroom					
42%	$368	$482	$450	$82	82%
Two Bedroom					
42%	$437	$537	$525	$88	83%
Three Bedroom					
42%	$506	$570	$630	$124	80%

OCCUPANCY RESTRICTIONS:

CHFA: 100% of the units **(97)** will be restricted to **42%** or less of median income.
TCAC: 100% of the units **(97)** will be restricted to **42%** or less of median income.
Section **236:** 100% of the **units (97)** will be regulated for basic and market rates.

ENVIRONMENTAL:

CHFA received a Phase I-Environmental Assessment Report prepared by Occupational Knowledge, Inc. and is dated July **22, 1996.** ***An*** update has been ordered and a reliance letter **has been** requested from the Borrower. **A** termite **report** was obtained from Orkin Pest Control, dated January 4, 2000, but it did not include an inspection of the apartment units. **A** supplemental report **has** been requested and any findings will **be** incorporated into the rehabilitation **scope** of work.

ARTICLE 34:

An opinion letter dated January 3, 2000 from Borrower's legal counsel has been received stating that Article 34 does not apply.

DEVELOPMENT TEAM:

A. Borrower's profile

Asociacion Campesina Lazaro Cardenas, Incorporated, a California nonprofit public benefit corporation ("ACLC, Inc.") is the sponsor and the managing general partner. ACLC, Inc. was formed in 1986 to provide farm workers and their families with affordable housing. They have since expanded their scope to include low-income families. ACLC, Inc. has co-developed four projects with a total of 138 units of affordable housing and rehabilitated six projects with a total of 305 affordable housing units.

B. Contractor

James P. Nylen with The Nylen Homes, Inc. is the contractor. The company was founded in 1976 as J.P. Nylen Properties for the purpose of constructing custom single family homes. The scope of construction expanded to include commercial and multifamily developments. To date they are responsible for the construction of approximately 1,650 multifamily units, of which 223 are affordable. The current name of the company is Nylen Homes, Inc. The Agency reserves the right to request additional construction bids.

C. Architect

David Mogavero is the senior principal of Mogavero Notestine Associates, an architectural, planning and project management firm in Sacramento. The firm specializes in project management, urban design and environmental planning, multifamily housing and rehabilitation of old buildings.

D. Management Agent

Jon Berkley Management, Inc. will manage the project. The company was formed in May 1979 for the fee management of large apartment complexes in the Sacramento/Davis area. Jon Berkley Management, Inc also specializes in the marketing/management of elderly projects, substantial rehabilitation and rough project turnarounds. They currently manage other CHFA projects.

Project Summary

827

Date: 24-Feb-00

Project Profile:

Project :	Whispering Pines	*Appraiser:*	Timothy Wright
Location:	7610 Amherst Street		Palmer.Groth & Pietka
	Sacramento	*Cap Rate:*	9.00%
ounty/Zip:	Sacrame 96832	*As-Is Value*	$ 3,100,000
Borrower:	TBD	*After Rehab*	$ 3,960,000
GP:	ACLC, Inc.	*Final Value:*	$ 3,960,000
LP:	TBD		
		LTC/LTV:	
Program:	Taxable	*Loan / Cost*	13.4%
CHFA # :	00-004-N	*Loan / Value*	27.8%

Project Description:

Units	97
Handicap Units	
Bldge Type	Acq/Rehab
Buildings	13
stories	2
Gross Sq Ft	80,134
Land Sq Ft	177,938
Units/Acre	24
Total Parking	117
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
Acquisition				
CHFA Loan Acq.	2,000,000	$20,619	5.00%	2
Developer Equity	$829,500	$8,552	0.00%	-
Permanent				
CHFA First Mortgage	$1,100,000	$11,340	8.25%	30
HUD - IRP Loan	$330,000	$3,402	7.25%	9
HCD Hsg Program	$721,178	$7,435	3.00%	55
Sac HRDA	$398,824	$4,112	6.00%	40
Other	$0	$0	0.00%	
Tax Credit Equity	$5,656,160	$58,311		
Deferred Developer Fee	$0	$0		

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	621	24	42%	$368	$18,675
2 BR	785	64	42%	$437	$21,015
3 BR	933	7	42%	$506	$23,355
2BR	785	2	Manager	$0	N/A
		97			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	security
Commitment Fee	1.25%	of Loan Amount	$25,000	Cash
Finance Fee	1.25%	of Loan Amount	$17,875	Cash
Bond Origination Guarantee	0.00%	of Loan Amount	$0	Letter of Credit
Rent Up Account	2.50%	of Gross Income	$14,990	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$59,958	Letter of Credit
Marketing	2.50%	of Gross Income	$14,990	Letter of Credit
Annual Replacement Reserve Deposit	350	Per Unit	$33,600	Operations
Initial Deposit to Repl. Res.	1000	Lump Sum	$96,000	Cash
Standby Operating Account	0	Lump Sum	$110,000	Operations
Const. Defect Agreement	0	15 Months	$88,750	Letter of Credit

Sources and Uses

SOURCES:

Name of Lender / Source	Acquisition Taxable	Acquisition Per Unit	Permanent Tax-Exempt	Permanent Per Unit
CHFA Loan Acq.	2,000,000	20,619		
HUD - IRP Loan			330,000.00	3,402
CHFA First Mortgage			1,100,000	11,340
HCD Hsg Program			721,178.00	7,435
Sac HRDA			398,824.00	4,112
Other				
Total Institutional *Financing*	**2,000,000**	**20,619**	**2,550,002**	**26,289**
Equity Financing				
Tax Credits	0	0	5,656,160	58,311
Developer Equity	829,500	8,552		
Deferred Developer Equity	0	0	0	*0*
Total Equity *Financing*	**829,500**	8,552	**5,656,160**	58,311
TOTAL SOURCES	**2,829,500**	29,170	**8,206,162**	**84,600**

USES:

	Acquisition Taxable	Acquisition Per Unit	Permanent Tax-Exempt	Permanent Per Unit
Acquisition	2,784,000	29,000	2,769,000	28,546
Rehabilitation	0		3,338,353	34,416
New Construction	0		0	0
Architectual Fees	0		. 110,000	1,134
Survey and Engineering	*0*		0	0
Const. Loan Interest & Fees	*0*	57	414,404	4,272
Permanent Financing	25,500		27,875	287
Legal Fees	0		30,000	309
Reserves	0		185,937	1,917
Contract Costs	16,500	172	0	0
Construction Contingency	0		544,753	5,616
Local Fees	0		0	0
TCAC/Other Costs	3,500		420,249	4,332
PROJECT COSTS	**2,829,500**	**29,229**	**$7,840,571**	**80,831**
Developer Overhead/Profit	0	0	$335,591	3,460
Consultant/Processing Agent	0	0	$30,000	309
TOTAL USES	**2,829,500**	**29,229**	**$8,206,162**	**84,600**

Annual Operating Budget — Whispering Pines

		% of total	$ per unit
INCOME:			
Total Rental Income	592,668	98.8%	6,110
Laundry	6,912	1.2%	71
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**899,880**	**100.0%**	**6,181**
Less:			
Vacancy Loss	29,979	5.0%	309
Total Net Revenue	**869,601**	**95.0%**	**8,872**
EXPENSES:			
Payroll	108,430	30.4%	1,118
Administrative	53,423	15.0%	551
Utilities	75,960	21.3%	783
Operating and Maintenance	68,264	19.1%	704
Insurance and Business Taxes	12,816	3.6%	132
Taxes and Assessments	4,090	1.1%	42
Reserve for Replacement Deposits	33,600	9.4%	346
Subtotal Operating Expenses	**356,583**	**100.0%**	**3,676**
Financial Expenses			
Mortgage Payments (1st loan)	0	0.0%	-
Total Financial	**0**	**0.0%**	**-**
Total Project Expenses	**386,883**	**100.0%**	**3,676**

Cash Flow Whispering Pines CHFA # 00-004-N

RENTAL INCOME	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sec. 8 Increase	*1.50%*	*1.50%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	592,668	601,558	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*1.50%*	*1.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	0	0	520,160	533,164	546,493	560,155	574,159	588,513	603,226	618,307
TOTAL RENTAL INCOME	**592,668**	**601,558**	**520,160**	**533,164**	**546,493**	**560,155**	**574,159**	**588,513**	**603,226**	**618,307**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	6,912	7,085	7,262	7,443	7,630	7,820	8,016	8,216	8,422	8,632
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**6,912**	**7,085**	**7,262**	**7,443**	**7,630**	**7,820**	**8,016**	**8,216**	**8,422**	**8,632**
GROSS INCOME	**599,580**	**608,643**	**527,422**	**540,607**	**554,123**	**567,976**	**582,175**	**596,730**	**611,648**	**626,939**
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	29,979	30,432	26,371	27,030	27,706	28,399	29,109	29,836	30,582	31,347
EFFECTIVE GROSS INCOME	**569,601**	**578,211**	**501,051**	**513,577**	**526,417**	**539,577**	**553,066**	**566,893**	**581,065**	**595,592**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	319,983	331,182	342,774	354,771	367,188	380,039	393,341	407,108	421,357	436,104
Replacement Reserve	33,600	33,600	33,600	33,600	33,600	33,600	33,600	35,280	35,280	35,280
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	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
TOTAL EXPENSES	**356,583**	**367,782**	**379,374**	**391,371**	**403,788**	**416,639**	**429,941**	**445,388**	**459,637**	**474,384**
NET OPERATING INCOME	**213,018**	**210,428**	**121,677**	**122,206**	**122,629**	**122,938**	**123,126**	**121,505**	**121,429**	**121,208**
DEBT SERVICE										
CHFA Loan Acq.	100,000	100,000								
CHFA - 1st Mortgage	0	0	99,167	99,167	99,167	99,167	99,167	99,167	99,167	99,167
HCD Int. Pymt.	0	0	3,029	3,029	3,029	3,029	3,029	3,029	3,029	3,029
CASH FLOW after debt service	**113,018**	**110,428**	**19,481**	**20,010**	**20,433**	**20,741**	**20,929**	**19,309**	**19,233**	**19,012**
Standby Operating Account	**55,000**	**55,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Standby Balance	**55,000**	**110,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
DEBT COVERAGE RATIO	**2.13**	**2.10**	**1.19**	**1.20**	**1.20**	**1.20**	**1.20**	**1.19**	**1.19**	**1.19**
Net Residual Cashflow	**58,018**	**55,428**	**19,481**	**20,010**	**20,433**	**20,741**	**20,929**	**19,309**	**19,233**	**19,012**

830

831

Cash Flow

RENTAL INCOME	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
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	633,764	649,609	665,849	682,495	699,557	717,046	734,972	753,347	772,180	791,485
TOTAL RENTAL INCOME	**633,764**	**649,609**	**665,849**	**682,495**	**699,557**	**717,046**	**734,972**	**753,347**	**772,180**	**791,485**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	8,848	9,069	9,296	9,528	9,766	10,011	10,261	10,517	10,780	11,050
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**8,848**	**9,069**	**9,296**	**9,528**	**9,766**	**10,011**	**10,261**	**10,517**	**10,780**	**11,050**
GROSS INCOME	**642,612**	**658,678**	**675,145**	**692,023**	**709,324**	**727,057**	**745,233**	**763,864**	**782,961**	**802,535**
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	32,131	32,934	33,757	34,601	35,466	36,353	37,262	38,193	39,148	40,127
EFFECTIVE GROSS INCOME	**610,482**	**625,744**	**641,387**	**657,422**	**673,858**	**690,704**	**707,972**	**725,671**	**743,813**	**762,408**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	451,368	467,165	483,516	500,439	517,955	536,083	554,846	574,266	594,365	615,168
Replacement Reserve	35,280	37,044	37,044	37,044	37,044	37,044	38,896	38,896	38,896	38,896
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	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
TOTAL EXPENSES	**489,648**	**507,209**	**523,560**	**540,483**	**557,999**	**576,127**	**596,742**	**616,162**	**636,261**	**657,064**
NET OPERATING INCOME	**120,834**	**118,534**	**117,827**	**116,939**	**115,859**	**114,577**	**111,229**	**109,509**	**107,552**	**105,344**
DEBT SERVICE										
CHFA Loan Acq.										
CHFA - 1st Mortgage	99,167	99,167	99,167	99,167	99,167	99,167	99,167	99,167	99,167	99,167
HCD Int. Pymt.	3,029	3,029	3,029	3,029	3,029	3,029	3,029	3,029	3,029	3,029
CASH FLOW after debt service	**18,638**	**16,338**	**15,631**	**14,743**	**13,663**	**12,381**	**9,033**	**7,313**	**5,355**	**3,148**
Standby Operating Account	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Standby Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
DEBT COVERAGE RATIO	**1.18**	**1.16**	**1.15**	**1.14**	**1.13**	**1.12**	**1.12**	**1.10**	**1.08**	**1.06**
Net Residual Cashflow	**18,638**	**16,338**	**15,631**	**14,743**	**13,663**	**12,381**	**9,033**	**7,313**	**5,355**	**3,148**

Cash Flow

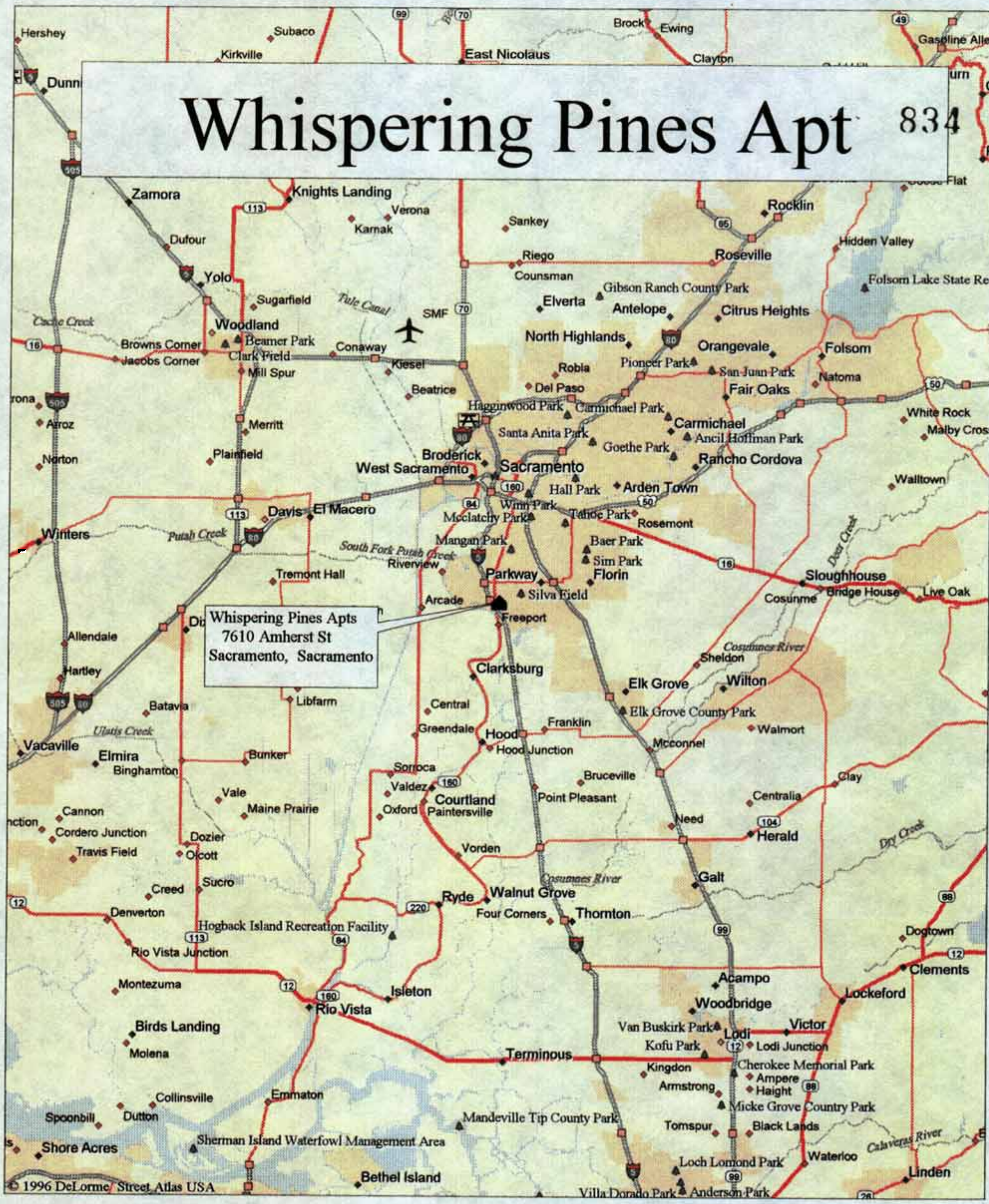
RENTAL INCOME	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Affordable Rents	811,272	835,610	860,679	886,499	913,094	940,487	968,701	997,762	1,027,695	1,058,526
TOTAL RENTAL INCOME	**811,272**	**835,610**	**860,679**	**886,499**	**913,094**	**940,487**	**968,701**	**997,762**	**1,027,695**	**1,058,526**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	11,326	11,609	11,900	12,197	12,502	12,814	13,135	13,463	13,800	14,145
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**11,326**	**11,609**	**11,900**	**12,197**	**12,502**	**12,814**	**13,135**	**13,463**	**13,800**	**14,145**
GROSS INCOME	**822,598**	**847,220**	**872,578**	**898,696**	**925,596**	**953,301**	**981,836**	**1,011,226**	**1,041,495**	**1,072,671**
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	41,130	42,361	43,629	44,935	46,280	47,665	49,092	50,561	52,075	53,634
EFFECTIVE GROSS INCOME	**781,468**	**804,859**	**828,949**	**853,761**	**879,316**	**905,636**	**932,744**	**960,664**	**989,420**	**1,019,037**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	636,699	658,983	682,047	705,919	730,626	756,198	782,665	810,058	838,410	867,755
Replacement Reserve	38,896	40,841	40,841	40,841	40,841	40,841	42,883	42,883	42,883	42,883
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	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
TOTAL EXPENSES	**678,595**	**702,824**	**725,888**	**749,760**	**774,467**	**800,039**	**828,548**	**855,941**	**884,294**	**913,638**
NET OPERATING INCOME	**102,874**	**102,034**	**103,061**	**104,001**	**104,849**	**105,597**	**104,196**	**104,723**	**105,127**	**105,399**
DEBT SERVICE										
CHFA Loan Acq.										
CHFA - 1st Mortgage	99,167	99,167	99,167	99,167	99,167	99,167	99,167	99,167	99,167	99,167
HCD Int. Pymt.	3,029	3,029	3,029	3,029	3,029	3,029	3,029	3,029	3,029	3,029
CASH FLOW after debt service	**677**	**(162)**	**865**	**1,805**	**2,653**	**3,401**	**2,000**	**2,527**	**2,931**	**3,203**
Standby Operating Account	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Standby Balance										
DEBT COVERAGE RATIO	**1.04**	**1.03**	**1.04**	**1.05**	**1.06**	**1.06**	**1.05**	**1.06**	**1.06**	**1.06**
Net Residual Cashflow	**677**	**(162)**	**865**	**1,805**	**2,653**	**3,401**	**2,000**	**2,527**	**2,931**	**3,203**

832

Cash Flow

RENTAL INCOME	2030	2031	2032
Sec. 8 Increase	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	N/A	N/A	N/A
Affordable Rent Increase	*3.00%*	*3.00%*	*3.00%*
Affordable Rents	1,090,282	1,122,990	1,156,680
TOTAL RENTAL INCOME	**1,090,282**	**1,122,990**	**1,156,680**
OTHER INCOME			
Other Income Increase	*2.50%*	*2.50%*	*2.50%*
Laundry	14,498	14,861	15,232
Commercial	N/A	N/A	N/A
TOTAL OTHER INCOME	**14,498**	**14,861**	**15,232**
GROSS INCOME	**1,104,780**	**1,137,851**	**1,171,912**
Vacancy Rate : Sec 8	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	55,239	56,893	58,596
EFFECTIVE GROSS INCOME	**1,049,541**	**1,080,959**	**1,113,317**
OPERATING EXPENSES			
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*
Expenses	898,126	929,561	962,095
Replacement Reserve	42,883	42,883	42,883
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	3,000	3,000	3,000
TOTAL EXPENSES	**944,009**	**975,444**	**1,007,978**
NET OPERATING INCOME	**105,532**	**105,515**	**105,338**
DEBT SERVICE			
CHFA Loan Acq.			
CHFA - 1st Mortgage	99,167	99,167	99,167
HCD Int. Pymt.	3,029	3,029	3,029
CASH FLOW after debt service	**3,336**	**6,348**	**6,171**
Standby Operating Account	**0**		
Cumulative Standby Balance			
DEBT COVERAGE RATIO	**1.06**	**1.06**	**1.06**
Net Residual Cashflow	**3,336**	**6,348**	**6,171**

Whispering Pines Apt 834



Mag 10.00
Wed Feb 16 17:30 2000

Scale 1:500,000 (at center)

10 Miles

10 KM

Major Connector
State Route
Primary State Route

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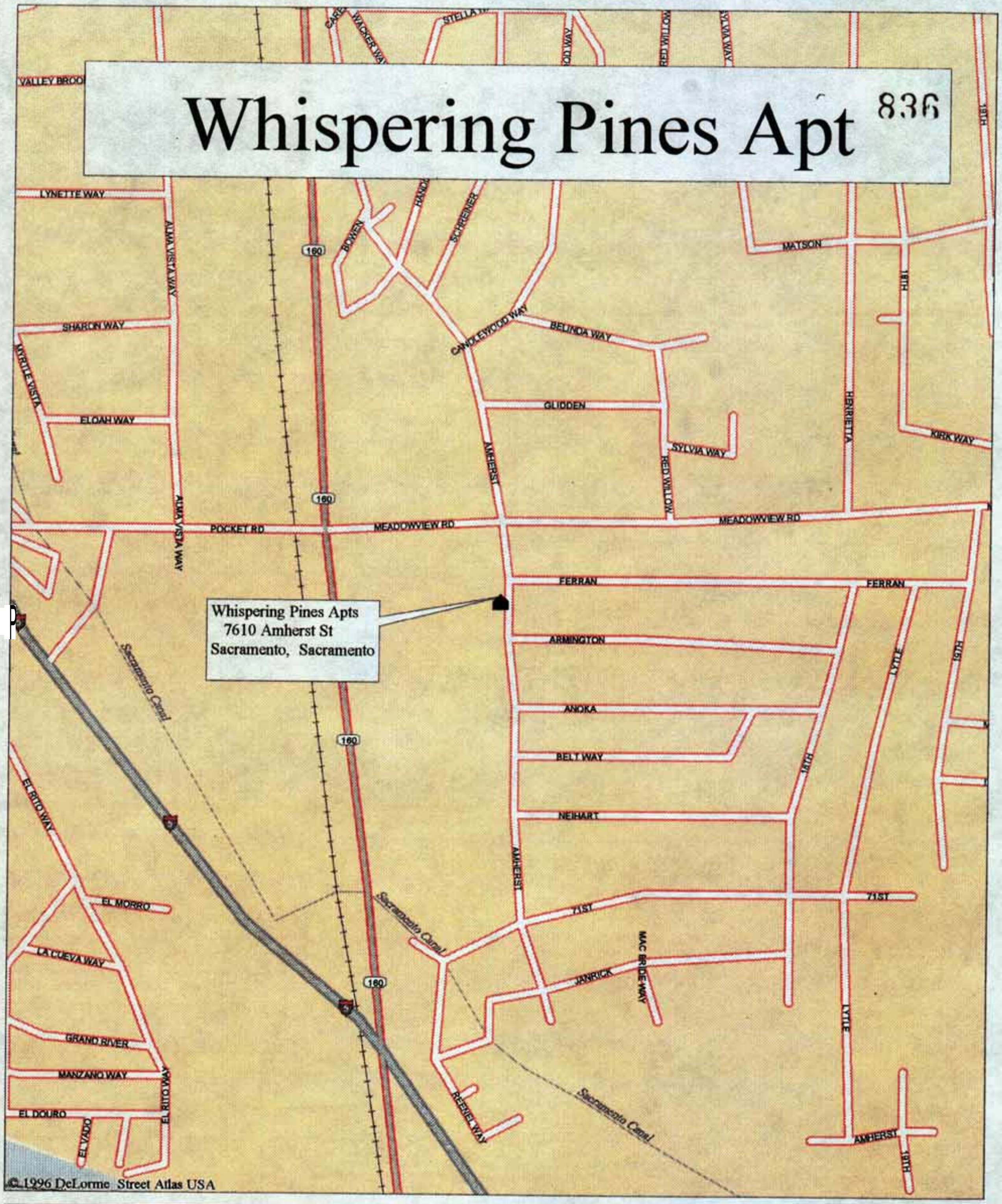
Whispering Pines Apt 836



Mag 16.00
Wed Feb 16 17:30 2000

Scale 1:7,812 (at center)
500 Feet
200 Meters

Local Road
Major Connector
State Route

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RESOLUTION 00-07

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Asociacion Campesina Lazaro Cardenas, Incorporated, a California nonprofit public benefit corporation ("ACLC, Inc."), (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 97-unit multifamily housing development located in the City of Sacramento to be known as Whispering Pines Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 24, 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 November 19, 1996, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALTY	NUMBER OF UNITS	MORTGAGE AMOUNT
00-004-N	Whispering Pies Apartments Sacramento/Sacramento	97	$ 330,000 IRP $1,100,000 tax-exempt $2.000,000 taxable

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 00-07 adopted at a duly constituted meeting of the Board of the Agency held on March 9, 2000, at Sacramento, California.

ATTEST:______________
Secretary

Executive Summary

Date: 23-Feb-00

Project Profile:

Project :	El Rancho Verde I & II	*Borrower:*	TBD
Location:	303 Checkers Drive	*GP:*	South County Housing
City:	San Jose	*LP:*	The Related Capital Co.
County:	Santa Clara	*Program:*	Tax Exempt
Type:	Family	*CHFA # :*	99-025-N

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$70,900,000	$101,286
CHFA Taxable Loan	$0	$0
San Jose City Loan	$5,500,000	$7,857
Project Income	$9,211,833	$13,160
Developer Equity	$0	$0
Deferred Developer Equity	$49,624	$71
Tax Credits	$26,272,557	$37,532
HUD IRP-236	$2,745,028	$3,921

Loan to Value
77.1%

Loan to Cost
61.8%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2 BR	871	111	50%	$898	$37,175
3 BR	1080	29	50%	$995	$41,300
2 BR	871	441	60%	$1,084	$44,610
3 BR	1080	115	60%	$1,251	$49,560
2 BR	871	4	Mgr/Maint	$0	N/A
		700			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: El Rancho Verde I & II

CHFA Ln. # 99-025-N

SUMMARY:

This is a final commitment request for two loans to provide the permanent funding for the El Rancho Verde Apartments in San Jose. The loans from CHFA sources will total **$70,900,000** and a **HUD/IRP** loan in the amount of **$2,745,028.** Additional funding in the amount of **$5,500,000** will be provided by the City of San Jose and there will be **4%** tax credit equity equaling **$26,272,557.** The acquisition/rehabilitation project is a **700**-unit family project, originally constructed in two phases; **300** units in Phase I and **400** units in Phase II. The project is located at **303** Checkers Drive, San Jose in Santa Clara County.

LOAN TERMS:

1ST MORTGAGE AMOUNT:	**$70,900,000**
Interest Rate:	**6.375%**
Term:	**32** Year Fixed (First two years are interest only, then fully amortized)
Source:	Tax Exempt & Taxable
IRP Mortgage:	**$2,745,028**
Interest Rate:	**5.75%**
Term:	**12** Years
Source:	Tax Exempt

The first mortgage will be funded at the time the property is acquired by the purchasing partnership. The funds for the purchase of the IRP loan will **also** be expended **at** the time of acquisition. The rehabilitation of the property **will** commence after acquisition and the Agency will require **an** amount approximately equal to the taxable component ($6.9M) of the first mortgage **to** be dispersed **as** needed during the project's rehabilitation phase.

EXISTING LOANS AND SECTION 8 STATUS:

Section 236. Phase 11 of the property will be acquired subject to a HUD Section 236 loan, the beneficial interest of which will be purchased by CHFA at the time of the property acquisition by the borrower. The loan is being purchased *to* preserve the Interest Reduction Payment ("IRP") which is a guaranteed stream of monthly payments from HUD for the benefit of the project.

In order to continue the stream of IRP payments, a public agency acceptable to HUD must acquire the Section 236 loan and act as the regulator. CHFA's responsibilities under the IRP agreement will be to review and approve basic and market rents, approve distributions and enforce housing quality standards. The provisions to be enforced by CHFA will be contained in a regulatory agreement and agreed to by the owners and HUD. The provisions that CHFA must regulate will expire upon the termination of the 236 loan.

Defeasence. Both phases of the Project have 241(f) loans financed through GNMA with 10-year lockouts. The seller has negotiated a prepayment of the 241(f) on Phase I, however the 241(f) on Phase II is held by a REMIC and cannot be pre-paid or substituted under this REMIC's restrictions. The Sponsor is proposing that the 241(f) be defeased with Treasury strips. A third-party entity would hold Treasury strips (or similar security) with maturity dates that coincide with the principal and interest payments due on the 241(f) loan until the ten-year lockout expires, in roughly three years.

Standard HUD deed of trust language states that 100% investor consent is required before further encumbering a project. The Sponsor is asking HUD to recognize the defeasence and CHFA's bond financing so that the servicing agent for the 241(f) loan can execute a release and assumption agreement allowing the transaction to take place. The Sponsor is requesting a HUD approval letter and believes the REMIC servicing agent will then execute a release and assumption agreement. A defeasence analysis provided by an accounting firm acceptable to the Agency will be required prior to loan close.

Current **Status.** Current HUD rents on the project are below allowable tax credit rents and the existing HUD FMR levels. All of these rents are well below the existing market rents. The existing project based contract is on annual renewal at these lower rents. The developer's proposed structure requires HUD to approve a minimum Section 8 rent increase to tax credit levels in order to support the necessary financing, cover expenses and facilitate the needed rehabilitation. The project does not quality for HUD's "Mark Up to Market" program thereby requiring the developer to approach HUD for a specific request to increase the rents for the project based contract or potentially vouchers. The long term financial viability of the project is dependent on the rent increase from HUD. Without this increase, eventually, the project would receive enhanced vouchers as contemplated by other bidders, which would greatly increase the cost of the budget-based rent increase. Any loan commitments from CHFA is conditioned upon an increase in project based rents to a level that ensures long term project viability.

Conversion Scenario. A termination of the Section 8 subsidy would require a conversion of tenant rents to the 50% and 60% of median income rents. Approximately 26% of existing tenants (181 units) are not receiving Section 8 assistance and are paying rents at approximately the same level as 50% of median income. It is expected that these 181 units would qualify to pay this increased rent without the benefit of a replacement subsidy.

Existing tenants could receive vouchers, however, the conversion scenario assumes the project would convert to tenants able to pay the 50%/60% rents. Under this conversion scenario, the project would be faced with a "re-absorption" of tenants for a period of time until stabilized occupancy is achieved. In order to assure project viability, the following transition components will be required.

- Capitalize a transition reserve of approximately $2.0 million that will remain in place under the control of CHFA.
- Develop in conjunction with the Borrower a transition plan specifying the necessary actions to mitigate the cost of conversion and the use of transition funds.

CHFA Regulatory Agreement. The CHFA Regulatory Agreement will govern the terms and conditions allowed with the Section 236 loan and the standard CHFA loan requirements. In addition, the existing HUD 241 (f) agreements will need to be modified and assigned to CHFA. The CHFA Regulatory Agreement will be recorded in first position and will be senior to any other regulatory agreements or deeds of trust.

PROJECT DESCRIPTION:

A. Site Design:

El Rancho Verde Apartments is two contiguous, existing apartment complexes located at 303 Checkers Drive in East San Jose. The primary attributes of the project are:

- 700 total units: 300 units in El Rancho Verde I (Phase I) and 400 units in El Rancho Verde II (Phase II).
- Constructed in 1969 and 1970 respectively as project-based Section 8 housing.
- A garden style, walk-up design, primarily two story (48 units, all townhouses, are in three buildings).
- Twenty-six (26) different floor plans in four basic units types 2BR/1BA (73%), 2BR/1.5BA townhouses (7%), 3BR/1.75BA (15%), and 3BA/2BA (5%).
- Common amenities currently include 11 laundry buildings, a clubhouse with computer learning center, on-site pre-school (under lease agreement), barbecue areas, tot lots and a sport court.
- The project has 1:1 carport parking and open parking at an overall ratio of 1:5 :1.

B. Project Location:

The El Rancho Verde Apartment is located three (3) miles northeast of downtown San Jose, specifically the property is located at 303 Checkers Drive at the intersection of Checkers Drive and McKee Road. The site is ½ miles east of Highway 101 (the Bayshore Freeway). The property is ¾ mile west of **1-680,** a major interstate serving east San Jose.

The project encompasses the equivalent of two city blocks and virtually operates as a city within a city. The two sites are bisected by Checkers Drive and are not gated. Both interiors and exteriors appear to be in good condition and have received regular maintenance. The buildings are generally two-story elevations with selected buildings containing two-story townhomes. The grounds are in good condition and litter-free.

Three major grocery stores and other shopping areas are within one mile of the project. Two primary schools and the junior high are within 1.5 miles of the project. The high school and adult education center are one half mile away. School buses come directly down Checker Drive, providing door-to-door service.

C. Rehabilitation Work and Improvements:

The developers plan an extensive rehabilitation for the project. The current estimated hard construction costs for the rehabilitation budget are approximately **$13,167,000,** or over $18,810 a unit, excluding contractors overhead or profit. The primary components of the rehabilitation plan include:

- Construction of a new pool and decking, wadding pools, new BBQ equipment, benches and trellises in quiet courtyards.
- Construction of a recreation center and new administration building/leasing office.
- Construction of several additional tot lots.
- Termite eradication.
- Increasing the parking spaces, improved landscaping and project signage.
- Replacing roofs on carports and laundry rooms.
- Repairing exterior stairs and stair treads
- Painting exterior trim and stucco.
- Increasing amperage to units to accommodate dishwashers and wall air conditioners.
- Unit Renovations with new carpet, paint, hardwired smoke detectors, kitchen appliances and cabinets as needed, new bathroom sinks and bathtubs and new faucets as needed.
- A seismic study has been commissioned and the recommendations will be incorporated into the scope of rehabilitation prior to the issuance of the final commitment letter.

Site improvements will begin immediately upon acquisition of the project and are expected to be completed within 12 months. Improvements to the building will be phased on a building by building basis over an estimated 18 to 24 months.

D. Relocation:

The improvements to the units are not considered invasive and no permanent relocation of existing tenants is expected. The Agency will require compliance with any applicable provisions of the Uniform Relocation Act and an appropriately funded relocation reserve.

MARKET:

A. Market Overview

According to National Survey System's market analysis dated August 31, 1999, the Primary Market Area (PMA) for El Rancho Verde extends approximately 1.75 to 4 miles from the site in the general East San Jose area. The greater East San Jose PMA has approximately 280,591 residents equaling 32% of the City's population. The PMA has lower incomes and rents, larger households and lower home values than the rest of the San Jose area. The project's specific PMA contains approximately 77,641 households.

B. Market Demand

Approximately 30% of the 77,641 PMA's households would be income qualified for the project following the planned conversions to ***50%*** and ***60%*** rents.

In the event all 700 units in the project were brought to market at once, the project would require a 14.5% capture of the leasing volume in the PMA. Under the anticipated scenario, the majority of the existing tenants would be retained. Leasing 200 units would translate to a capture rate of 4.1% of the annual leasing volume in the PMA, which would be readily achievable.

C. Housing Supply

National Survey Systems examined 14 projects in the PMA. Eleven of these projects were general occupancy projects (market rate, no restrictions) comprising 2,672 units. Three projects were family tax credit projects all similar in their garden style configuration and floor plans. The market rate projects reflected a ***98.9%*** occupancy level and the tax credit projects all had 100% occupancy. These occupancy levels demonstrate the pent-up demand for rental housing in San Jose.

The project's unit designs compare favorably with the competing units given their size and ability to accommodate larger families. Existing site amenities are lacking and the project is not currently competitive with the market due to the lack of a pool, no dishwashers and no air conditioning. These deficiencies will be addressed and corrected as part of the rehabilitation. It is anticipated that the project will then have amenities comparable to the surrounding projects and they will be competitive with market rate projects.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Project	Section 8	Mkt. Rate Avg.	Difference	Percent
Two bedroom					
50%	$897	$897	$1,250	$353	72%
60%	$1,083	$1,083	$1,250	$167	87%
Three Bedroom					
50%	$994	$994	$1,500	$506	66%
60%	$1,250	$1,250	$1,500	$250	83%

Currently, HUD approved rents are below allowable tax credit rents. The Section 8 rents listed in the graph above reflect the developer's higher rent structure currently being proposed to HUD.

B. Estimated Lease-Up Period

The project will have Section 8 tenants and is expected to be fully rented at the time of the acquisition. Minimal disruption is contemplated to the tenant during rehabilitation. The market is currently strong and limited turnover is expected.

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (140) will be restricted to *50%* or less of median income.
TCAC:	100% of the units (700) will be restricted to 60% or less of median income.
236 Regulatory and 241 Use Agreement:	71% of the units (500) will be restricted to *50%* or less of median income.
	29% of the units (200) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

CHFA has received a Phase I-Environmental Assessment Report from EMG dated September 2, 1999 that includes asbestos and lead-based paint analyzes. No adverse conditions were found. There are asbestos- and lead-based paint containing materials that can remain in place assuming the existing O & M Program is updated to incorporate the most recent findings.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's Profile

The Project is being developed by The Related Companies of California, a for profit developer of affordable housing projects. The tax credit partnership will include South County Housing as the non-profit managing general partner. The Related Companies of California is an affiliate of The Related Companies, Inc. ("Related") which is a fully integrated real estate firm with divisions specializing in development, project management, financial services and property management.

South County Housing was formed in 1979 in response to a community summit formed to address the disenfranchised. South County Housing's initial mission was to provide housing for low-income farmworkers and their families in southern Santa Clara County. It's targeted population continues to be low-income persons and families, but now also includes moderate-income housing to provide more economically integrated communities. South County Housing serves four contiguous counties: Santa Clara, San Benito, Santa Cruz and Monterey. To date South County Housing has acquired, rehabilitated and constructed over 1,350 affordable apartments and single family homes.

B. Contractor

The project contractor is Double Eagle Construction, a subsidiary of Portrait Homes, Inc. Portrait Homes Xnc. was formed in 1989 and Double Eagle Construction was recently fonned in 1999. Portrait Homes, Inc. was founded for the primary purpose of developing, building and owning single family and multi-family dwellings. They have constructed more than 2,300 apartment units and single family homes in California.

C. Architect

The architect is Steven Wraight with Wraight Architects–Urban Housing and Planning ("Wraight Architects"). Wraight Architects was founded in 1979 and is an architectural and planning fim specializing in high density, affordable housing. Mr. Wraight has worked closely with Related in the development of planning and architectural concepts, entitlement processing, coordination of the architectural and engineering team and construction management.

D. Management Agent

The managing agent will be from Related's in-house management team. Related takes pride in providing a superior level of service that helps it attract and retain outstanding corporate and residential tenants. The company has a rigorous preventative maintenance program and ongoing employee training which have enable the company to keep operating expenses and capital expenditure levels below those of competing projects. Nationally, the company managed 4 million square feet of commercial and mixed-use space and 14,300 residential units as of 1997.

Project Summary

Date: 23-Feb-00

Project Profile:

Project:	El Rancho Verde I & II	*Appraiser:*	Chris Carneghi, MAI
Location:	303 Checkers Drive		Carneghi-Bautovich
	San Jose	*Cap Rate:*	8.00%
County/Zip:	Santa Clar	As-Is Value	$ 76,000,000
Borrower:	TBD	After Rehab	$ 92,000,000
GP:	South County Housing	Final Value	$ 92,000,000
LP:	The Related Capital Co.		
		LTC/LTV:	
Program:	Tax Exempt	*Loan/Cost*	61.8%
CHFA #:	99-025-N	*Loan/Value*	77.1%

Project Description:

Units	700
Handicap Units	
Bldge Type	Acq/Rehab
Buildings	0
Stories	2
Gross Sq Ft	653,896
Land Sq Ft	1,611,720
Units/Acre	19
Total Parking	1000
Covered Parking	700

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$70,900,000	$101,286	6.38%	32
CHFA Taxable Loan	$0	$0	0.008	
San Jose City Loan	$5,500,000	$7,857	6.00%	30
Project Income	$9,211,833	$13,160		
Developer Equity	$0	$0		
Tax Credit Equity	$26,272,557	$37,532		
Deferred Developer Fee	$49,624	$71		
HUD IRP-236	$2,745,028	$3,921	5.50%	12

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2 BR	871	111	50%	$898	$37,175
3 BR	1080	29	50%	$995	$41,300
2 BR	871	441	60%	$1,084	$44,610
3 BR	1080	115	60%	$1,251	$49,560
2 BR	871	4	Mgr/Maint	$0	N/A
		700			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.25%	of Loan Amount	$920,563	Cash
Finance Fee	1.25%	of Loan Amount	$920,563	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$736,450	Letter of Credit
Rent Up Account	2.50%	of Gross Income	$233,659	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$934,637	Letter of Credit
Marketing	2.50%	of Gross Income	$233,659	Letter of Credit
Annual Replacement Reserve Deposit	$300	Per Unit	$210,000	Operations
Initial Deposit to Repl. Reserve	$500	Per Unit	$350,000	Cash
Transition Reserve		Lump sum	$2,060,000	Cash

Sources and Uses

El Rancho Verde I & II

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	70,900,000	61.82%	108.43	101,286
HUD IRP-236	2,745,028	2.39%	4.20	3,921
Loan 5	0	0.00%		0
CHFA Taxable Loan	0	0.00%		0
San Jose City Loan	5,500,000	4.80%	8.41	7,857
Other Loans	9,211,833	8.03%	14.09	13,160
Total Institutional Financing	**88,356,861**	**77.05%**	**135.12**	**126,224**
Equity Financing				
Tax Credits	26,272,557	22.91%	40.18	37,532
Deferred Developer Equity	49,624	0.04%	0.08	71
Total Equity Financing	**26,322,181**	**22.95%**	**40.25**	**37,603**
TOTAL SOURCES	**114,679,042**	**100.00%**	**175.38**	**163,827**

USES:

Acquisition	76,950,000	67.10%	117.68	109,929
Rehabilitation	17,800,000	15.52%	27.22	25,429
New Construction	0	0.00%		0
Architectual Fees	343,000	0.30%	0.52	490
Survey and Engineering	147,000	0.13%	0.22	210
Const. Loan Interest & Fees	8,142,341	7.10%	12.45	11,632
Permanent Financing	1,911,626	1.67%	2.92	2,731
Legal Fees	205,000	0.18%	0.31	293
Reserves	2,410,000	2.10%	3.69	3,443
Contract Costs	34,075	0.03%	0.05	49
Construction Contingency	3,420,000	2.98%	5.23	4,886
Local Fees	805,000	0.70%	1.23	1,150
TCAC/Other Costs	1,311,000	1.14%	2.00	1,873
PROJECT COSTS	**113,479,042**	**98.95%**	**173.54**	**162,113**
Developer Overhead/Profit	1,200,000	1.05%	1.84	1,714
Consultant/Processing Agent	0	0.00%		0
TOTAL USES	**114,679,042**	**100.00%**	**175.38**	**163,827**

Annual Operating Budget — El Rancho Verde I & II

		% of total	$ per unit
INCOME:			
Total Rental Income	9,277,489	99.3%	13,254
Laundry	67,200	0.7%	96
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income *(GPI)*	**9,344,689**	**100.0%**	**13,350**
Less:			
Vacancy Loss	467,318	5.0%	668
Total Net Revenue	**8,877,371**	**95.0%**	**12,682**
EXPENSES:			
Payroll	455,000	5.7%	650
Administrative	469,000	5.8%	670
Utilities	472,500	5.9%	675
Operating and Maintenance	782,880	9.7%	1,118
Insurance and Business Taxes	224,920	2.8%	321
Assessments	122,500	1.5%	175
Reserve for Replacement Deposits	210,000	2.6%	300
Subtotal Operating Expenses	**2,736,800**	**34.0%**	**3,910**
Financial Expenses			
Mortgage Payments (1st loan)	5,307,885	66.0%	7,583
Total Financial	**5,307,885**	**66.0%**	**7,683**
Total Project Expenses	**8,044,685**	**100.0%**	**11,492**

Cash Flow El Rancho Verde I / CHFA # 99-025-N

RENTAL INCOME	Const. Year 1	Const. 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	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Affordable Rents	8,424,984	9,015,684	9,277,489	9,416,651	9,557,901	9,701,270	9,846,789	9,994,490	10,144,408	10,296,574
TOTAL RENTAL INCOME	**8,424,984**	**9,015,684**	**9,277,489**	**9,416,651**	**9,557,901**	**9,701,270**	**9,846,789**	**9,994,491**	**10,144,408**	**10,296,574**
OTHER INCOME										
Other Income Increase	*0.00%*	*0.00%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	67,200	67,200	68,880	70,602	72,367	74,176	76,031	77,931	79,880	81,877
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**67,200**	**67,200**	**68,880**	**70,602**	**72.367**	**74.176**	**76,031**	**77,931**	**79,880**	**81.877**
GROSS INCOME	**[illegible]92,184**	**9,082,884**	**9,346,369**	**9,487,253**	**[illegible]68**	**9,775,446**	**9,922,819**	**10,072,422**	**10,224,288**	**10,378,[illegible]**
Vacancy Rate : Market			*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*15.00%*	*15.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	1,273,828	1,362,433	467,318	474,363	481,513	488,772	496,141	503,621	511,214	518,923
EFFECTIVE GROSS INCOME	**7,218,356**	**7,720,451**	**8,879,051**	**9,012,891**	**9,148,755**	**9,286,674**	**9,426,678**	**9,568,801**	**9,713,073**	**9,859,528**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	2,076,400	2,379,355	2,399,351	2,495,325	2,595,138	2,698,944	2,806,901	2,919,177	3,035,944	3,157,382
Replacement Reserve	0	0	210,000	210,000	210,000	210,000	210,000	220,500	220,500	220,500
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Assessments	122,500	124,950	127,449	129,998	132,598	135,250	137,955	140,714	143,528	146,399
TOTAL EXPENSES	**2,198,900**	**2,504,305**	**2,736,800**	**2,835,323**	**2,937,736**	**3,044,193**	**3,154,856**	**3,280,391**	**3,399,973**	**3,524,281**
NET OPERATING INCOME	**5,019,456**	**5,216,146**	**6,142,251**	**6,177,568**	**6,211,019**	**6,242,480**	**6,271,822**	**6,288,409**	**6,313,100**	**6,335,247**
DEBT SERVICE										
CHFA - 1st Mortgage	4,519,875	4,519,875	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	**499,581**	**696,271**	**834,365**	**869,683**	**903,134**	**934,595**	**963,937**	**980,524**	**1,005,215**	**1,027,362**
DEBT COVERAGE RATIO	**1.11**	**1.15**	**1.16**	**1.16**	**1.17**	**1.18**	**1.18**	**1.18**	**1.19**	**1.19**

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	10,451,023	10,712,298	10,980,106	11,254,608	11,535,973	11,824,373	12,119,982	12,422,982	12,733,556	13,051,895
TOTAL RENTAL INCOME	**10,451,023**	**10,712,298**	**10,980,106**	**11,254,608**	**11,535,973**	**11,824,373**	**12,119,982**	**12,422,982**	**12,733,556**	**13,051,895**
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	83,924	86,022	88,172	90,377	92,636	94,952	97,326	99,759	102,253	104,809
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**83,924**	**86,022**	**88,172**	**90,377**	**92,636**	**94,952**	**97,326**	**99,759**	**102,253**	**104,809**
GROSS INCOME	**10,534,946**	**10,798,320**	**11,068,278**	**11,344,985**	**11,628,609**	**11,919,325**	**12,217,308**	**12,522,740**	**12,835,809**	**13,156,704**
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	526,747	539,916	553,414	567,249	581,430	595,966	610,865	626,137	641,790	657,835
EFFECTIVE GROSS INCOME	**10,008,199**	**10,258,404**	**10,514,864**	**10,777,736**	**11,047,179**	**11,323,358**	**11,606,442**	**11,896,603**	**12,194,019**	**12,498,869**
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	3,283,678	3,415,025	3,551,626	3,693,691	3,841,438	3,995,096	4,154,900	4,321,096	4,493,939	4,673,697
Replacement Reserve	220,500	220,500	231,525	231,525	231,525	231,525	231,525	243,101	243,101	243,101
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Assessments	149,327	152,313	155,360	158,467	161,636	164,869	168,166	171,530	174,960	178,459
TOTAL EXPENSES	**3,653,504**	**3,787,838**	**3,938,510**	**4,083,682**	**4,234,599**	**4,391,490**	**4,554,591**	**4,735,726**	**4,912,001**	**5,095,258**
NET OPERATING INCOME	**6,354,695**	**6,470,566**	**6,576,354**	**6,694,053**	**6,812,580**	**6,931,869**	**7,051,852**	**7,160,877**	**7,282,018**	**7,403,611**
DEBT SERVICE										
CHFA - 1st Mortgage	5,307,885	5,307,800	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	**1,046,809**	**1,162,681**	**1,268,469**	**1,386,168**	**1, 94**	**1,623,984**	**1,743,966**	**1,852,992**	**1,974,133**	**995,726**
DEBT COVERAGE RATIO	**1.20**	**1.22**	**1.24**	**1.26**	**28**	**1.31**	**1.33**	**1.35**	**1.37**	**1.39**

854

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	13,378,192	13,712,647	14,055,463	14,406,850	14,767,021	15,136,197	15,514,602	15,902,467	16,300,028	16,707,529
TOTAL RENTAL INCOME	**13,378,193**	**13,712,647**	**14,055,463**	**14,406,850**	**14,767,021**	**15,136,197**	**15,514,602**	**15,902,467**	**16,300,029**	**16,707,529**
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	107,429	110,115	112,868	115,690	118,582	121,546	124,585	127,700	130,892	134,164
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**107,429**	**110,115**	**112,868**	**115,690**	**118,582**	**121,546**	**124,585**	**127,700**	**130,892**	**134,164**
GROSS INCOME	**13,485,622**	**13,822,762**	**14,168,331**	**14,522,540**	**14,885,603**	**15,257,743**	**15,639,187**	**16,030,167**	**16,430,921**	**16,841,694**
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	674,281	691,138	708,417	726,127	744,280	762,887	781,959	801,508	821,546	842,085
EFFECTIVE GROSS INCOME	**12,811,341**	**13,131,624**	**13,459,915**	**13,796,413**	**14,141,323**	**14,494,856**	**14,857,227**	**15,228,658**	**15,609,375**	**15,999,609**
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	4,860,645	5,055,071	5,257,274	5,467,564	5,686,267	5,913,718	6,150,266	6,396,277	6,652,128	6,918,213
Replacement Reserve	243,101	243,101	255,256	255,256	255,256	255,256	255,256	268,019	268,019	268,019
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Assessments	182,029	185,669	189,383	193,170	197,034	200,974	204,994	209,094	213,275	217,541
TOTAL EXPENSES	**5,285,775**	**5,483,841**	**5,701,912**	**5,915,991**	**6,138,557**	**6,369,948**	**6,610,516**	**6,873,390**	**7,133,423**	**7,403,773**
NET OPERATING INCOME	**7,525,566**	**7,647,783**	**7,758,003**	**7,880,422**	**8,002,766**	**8,124,908**	**8,246,711**	**8,355,268**	**8,475,952**	**8,595,836**
DEBT SERVICE										
CHFA - 1st Mortgage	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885	5,307,885
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	**2,217,681**	**2,339,898**	**2,450,117**	**2,572,537**	**2,694,881**	**2,817,023**	**2,938,826**	**3,047,383**	**3,168,067**	**3,287,951**
DEBT COVERAGE RATIO	**1.42**	**1.44**	**1.46**	**1.48**	**1.51**	**1.53**	**1.55**	**1.57**	**1.60**	**1.62**

Cash Flow

RENTAL INCOME	Year 31	Year 32
Market Rent Increase	*N/A*	*N/A*
Market Rents	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*
Affordable Rents	17,125,217	17,553,348
TOTAL RENTAL INCOME	**17,125,217**	**1' ,553,348**
OTHER INCOME		
Other Income Increase	*2.50%*	*2.50%*
Laundry	137,519	140,957
Commercial	N/A	N/A
TOTAL OTHER INCOME	**137,519**	**140,957**
GROSS INCOME	**17,262,736**	**17,694,304**
Vacancy Rate : Market	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*
Less: Vacancy Loss	863,137	884,715
EFFECTIVE GROSS INCOME	**16,399,599**	**1 3,809,589**
OPERATING EXPENSES		
Annual Expense Increase	*4.00%*	*4.00%*
Expenses	7,194,942	7,482,739
Replacement Reserve	268,019	268,019
Annual Tax Increase	*2.00%*	*2.00%*
Assessments	221,892	226,330
TOTAL EXPENSES	**7,684,853**	**7,977,088**
NET OPERATING INCOME	**8,714,746**	**3,832,501**
DEBT SERVICE		
CHFA - 1st Mortgage	5,307,885	5,307,885
CHFA - Bridge Loan		
CHFA - HAT Loan		
CASH FLOW after debt service	**3,406,861**	**3,524,616**
DEBT COVERAGE RATIO	[illegible]	[illegible]

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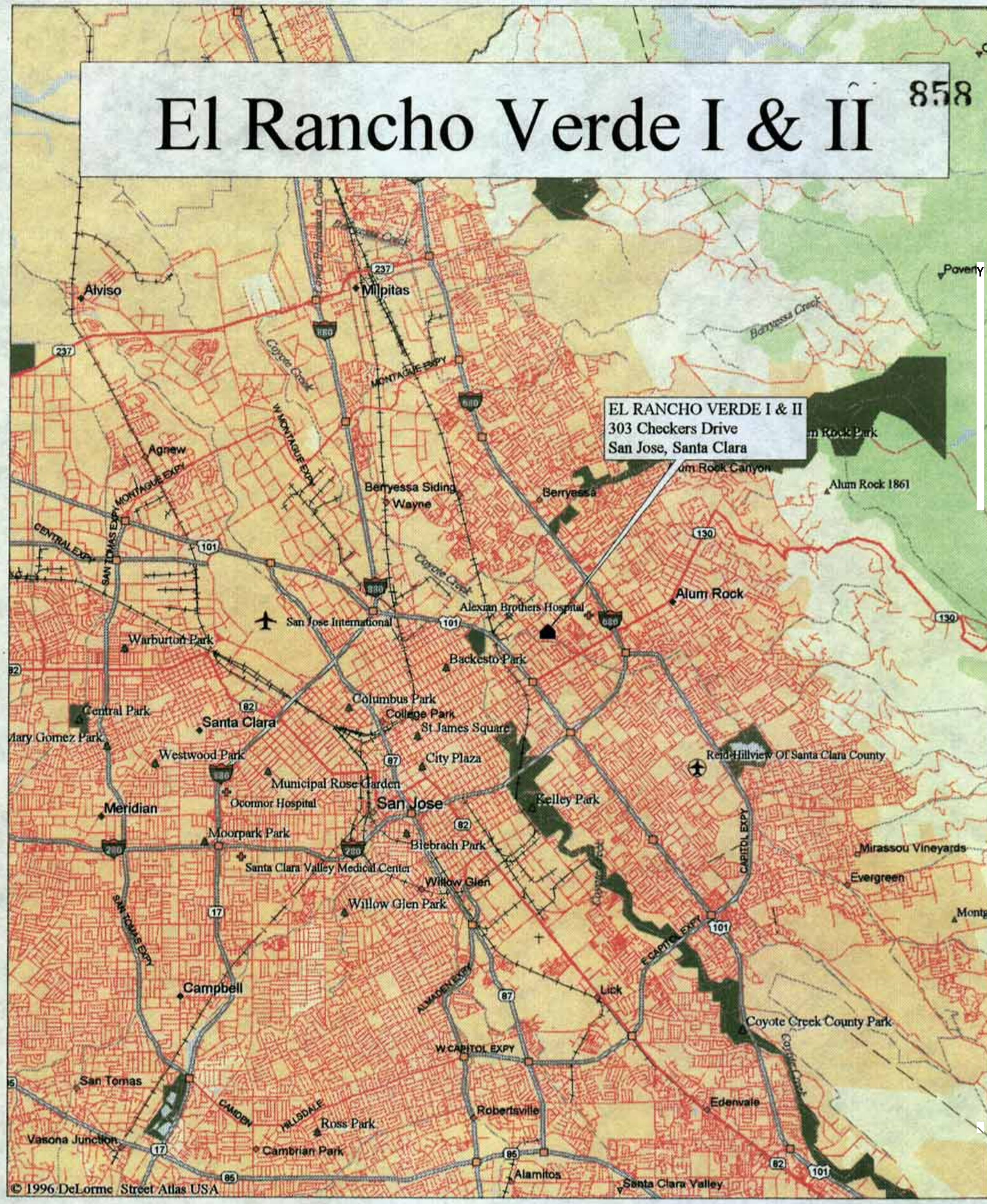
El Rancho Verde I & II



Mag 12.00
Wed Feb 16 10:28 2000

Scale 1:125,000 (at center)

2 Miles

2 KM

Local Road
Major Connector
State Route

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El Rancho Verde I & II 860

Mag 16.00
Wed Feb 16 10:26 2000

Scale 1:7,812 (at center)
500 Feet
200 Meters

Local Road
State Route
Interstate/Limited Access

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RESOLUTION 00-08

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from The Related Companies of California, LLC (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 700-unit multifamily housing development located in the City of San Jose to be known as El Rancho Verde I & II Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 23, 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 and taxable 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
99-025-N	El Rancho Verde I & II Apartments San Jose/Santa Clara	700	$64,000,000 tax-exempt $ 6,900,000 taxable $ 2,745,028 IRP

Resolution 00-08
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 00-08 adopted at a duly constituted meeting of the Board of the Agency held on March 9, 2000, at Sacramento, California.

ATTEST:______________
Secretary

e

State of California

864

MEMORANDUM

To: CHFA Board

Date: 02-25-00

From: G R Schermerhorn, Director of Programs
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Single Family MRB Sales Price Limits

The following is a report on what the Agency has done to address the problem of outdatzd sales prices limits applicable to our Single Family Mortgage Revenue Bond programs.

Included in the applicable federal requirements on our Single Family Mortgage Revenue Bond programs are two requirements generally recognized as income limits and sales prices limits. The U.S Department of Housing and Urban Development is responsible for the promulgation of annually updated income limits and the Internal Revenue Service is responsible for the annual update of sales price limits.

A protlem developed with sales price limits when the U.S. Treasury Department failed to issue any annual updates subsequent to their September 6, 1994, update. The resurgent California economy and the resultant increase in real estate purchase prices has increasingly priced single family homes above the outstanding sales price limits.

Last year we raised this issue at the National Council of State Housing Agencies (NCSHA) spring conference recommending that a national effort be made to advocate either the elimination of sales price limits or the application of a less complicated process that could be easily administered by all states. Through participation in a NCSHA working group, we recommended an alternative approach that is currently being pursued in Congress. If sales price limits are not eliminated, the proposal is to apply a 3.5% multiplier on income limits to determine applicable sales price limits. We've advocated this approach because income limits define the public purpose objective and income limits have the most impact on determining the maximum loan amount and ultimately the sales price.

Faced with escalating home prices, an uncertain legislative resolution to this problem and no indication that the Treasury Department was going to issue any further sales price updates, we took action consistent with the provisions of Section 143(e)(2) of the Internal Revenue Code of 1986 and 26 CFR (Code of Federal Regulations), Section 6a, which authorizes an

issuer to use average area purchase price limitations different from the safe harbor limitations
865 published by the Treasury Department for which the issuer has more accurate and
comprehensive data.

Last fall we contracted Vernazza Wolfe Associates, Inc., Oakland, CA, to conduct a statewide update of average area purchase prices for all counties and metropolitan areas in California. It was a substantial task as comprehensive purchase price data is not readily available for every county in the state. In some cases this is because the county assessor's offices do not identify all parcels by a use code which makes it difficult to determine whether or not a sale should be included in the calculations. Also, for a few of the small counties, very limited data is available for new home sales.

The data we received is derived from housing sales transactions recorded during the 12-month period November 1998 through October 1999, except for San Benito County for which the most recent 12-month period for which data is available is June 1998 through May 1999.

The results of this effort and the sales price limits we plan on utilizing are displayed on the attached charts. The first chart compares (from left to right by county):

- the current CHFA sales price limits based on the last Treasury Department sales price update issued 09-06-94.

- the average area purchase price limits as determined by our recent statewide update. Where insufficient or no data was available, it is noted as 'No Data'.

- the updated CHFA Single Family sales price limits. The second chart illustrates the basis for determining the sales price limits using a 3.5% multiplier on the higher of a county or statewide median income for a family of 3 or more. We've applied the following criteria in finalizing the limits that are derived by using the 3.5% multiplier on income limits:

  * no county sales price limit will be less than the current sales price limit;

  * Sales price limits resulting from the 3.5% multiplier are capped at the average area purchase price limits in our statewide update;

  * and adjustments to'the CHFA limits between new construction and resale are based on the ratios between the average area purchase price limits in our statewide update.

We have used the 3.5% multiplier to establish the sales price limits as the most appropriate and consistent method of achieving our public purpose objectives in serving the needs of low and moderate families.

We also explored the feasibility of providing a 'safe harbor' publication of the results of our statewide update so that local and state governments could rely on this information for their program purposes without incurring additional costs. However there is no supporting legal authority to accomplish this. We will be making our information available for local and state government use and we will continue to do annual updates until such time as there is an appropriate resolution to this issue.

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COMPARISON OF SALES PRICE LIMITS

	1994 CURRENT LIMITS		SURVEY LIMITS		CHFA LIMITS	
	New Const.	Resale	New Const.	Resale	New Const.	Resale
Alameda	$ 199,930	$ 187.972	$ 353,342	$ 239.982	$ 264,443	$ 239,982
Alpine	$ 169.109	$ 143.915	$ 207.429	$ 162.573	$ 207.429	$ 162.573
Amador	$ 169,109	$ 143,915	$ 131,698	$ 115,852	$ 169,109	$ 143.915
Butte	$ 169.109	$ 96,310	$ 134,586	$ 109,031	$ 169.109	$ 109,033
Calaveras	$ 169,109	$ 143.915	No Data	No Data	$ 169,109	$ 143.915
Colusa	$ 169.109	$ 143,915	No Data	$ 89,351	$ 169.109	$ 143.915
Contra Costa	$ 199.930	$ 187,972	$ 353.342	$ 239,982	$ 264,443	$ 239,382
Del Norte	$ 169.109	$ 143.915	NoData	NoData	$ 169.109	$ 143.915
El Dorado	$ 153,708	$ 134.257	$ 190,076	$ 147.930	$ 190,076	$ 147.930
Fresno	$ 169.109	$ 115.113	$ 134,339	$ 99,653	$ 169.109	$ 115,113
Glenn	$ 169.109	$ 143,915	No Data	No Data	$ 169.109	$ 143,915
Humboldt	$ 169,109	$ 143.915	$ 113,608	$ 107.192	$ 169,109	$ 143,915
Imperial	$ 169.109	$ 143,915	$ 128,774	$ 99,048	$ 169.109	$ 143,915
Inyo	$ 169.109	$ 143,915	$ 96,062	$ 144,448	$ 169,109	$ 144,448
Kem	$ 169.109	$ 98.521	$ 113.117	$ 87.342	$ 169,109	$ 98,521
Kings	$ 169.109	$ 143.915	NoData	NoData	$ 169.109	$ 143.915
Lake	$ 169,109	$ 143.915	No Data	No Data	$ 169.109	$ 143.915
Lassen	$ 169,109	$ 143,915	No Data	$ 96,172	$ 169,109	$ 143,915
Los Angeles	$ 230.564	$ 196,198	$ 281,903	$ 219,684	$ 247,779	$ 219,684
Madera	$ 169.109	$ 115.113	$ 134,339	$ 99,653	$ 169.109	$ 115,113
Marin	$ 224,072	$ 256.510	8 394,808	$ 421,041	$ 273.343	$ 291,410
Mariposa	$ 169.109	8 143.915	NoData	$ 134,680	$ 169,109	6 143.915
Mendocino	S 169.109	$ 143.915	$ 149.338	8 154,266	$ 169,109	$ 154,266
Merced	$ 169,109	$ 143.915	$ 124,700	$ 101,130	$ 169,109	$ 143.915
Modoc	$ 169,109	$ 143,915	No Data	No Data	$ 169.109	$ 143,915
Mono	$ 169,109	$ 143,915	No Data	No Data	$ 169.109	$ 143.915
Monterey	$ 169,109	$ 178,556	$ 239,380	$ 292,529	$ 178.122	$ 217.753
Napa	$ 173,303	$ 174,219	$ 234,968	$ 162,889	$ 217,753	$ 162.889
Nevada	$ 169,109	$ 143.915	$ 177,890	$ 184,971	S 177,890	$ 184.971
Orange	$ 229.883	8 204.837	$ 345.436	$ 245,864	$ 274.908	$ 245.864
Placer	$ 153,708	$ 134.257	$ 190,076	$ 147.930	$ 190,076	$ 147,930
Plumas	$ 169,109	$ 143.915	No Data	No Data	$ 369.109	$ 143.915
Riverside	$ 149,599	$ 160,249	$ 196,464	$ 122,656	$ 196.464	$ 160,249
Sacramento	$ 153,708	$ 134.257	$ 190,076	$ 147.930	$ 190.076	$ 147.930
San Benito	$ 169.109	$ 143.915	$ 237,374	$ 208,689	$ 217,753	$ 208,689
San Bemardino	$ 149.599	$ 160,249	$ 196,464	$ 122,656	$ 196.464	$ 160,249
San Diego	$ 149,933	$ 167.232	$ 283,604	$ 217,167	$ 217.753	$ 217.167
San Francisco	$ 224,072	$ 256,510	$ 394,808	$ 421,041	$ 273,343	$ 291.410
San Joaquin	$ 169,109	$ 120,512	$ 171.105	$ 122,133	$ 171.105	$ 122.133
San Luis Obispo	$ 169.109	$ 178,861	$ 208,914	$ 202.109	$ 208,914	$ 202.109
San Mateo	$ 224.072	$ 256,510	$ 394,808	$ 421,041	$ 273,343	$ 291.410
Santa Barbara	$ 169,109	$ 183.443	$ 236.364	$ 235,066	$ 217.753	$ 217,753
Santa Clara	$ 237,705	$ 228.411	$ 412.505	$ 347.916	$ 332.465	$ 332.465
Santa Cruz .	$ 169.109	$ 215,278	$ 324,999	$ 295.322	$ 245.525	$ 245,525
Shasta	$ 169,109	$ 111.113	$ 120,078	$ 102,758	$ 169,109	$ 111,113
Sierra	$ 169,109	$ 143.915	NoData	No Data	$ 169.109	$ 143.915
Siskiyou	8 169,109	$ 143,915	No Data	NoData	$ 169.109	$ 143,915
Solano	$ 173,303	$ 174,219	$ 234,968	$ 162.889	$ 217.753	$ 162.689
Sonoma	$ 169.109	$ 188,590	$ 257,188	$ 219,373	$ 224,998	$ 219,373
Stanislaus	$ 169,109	$ 112.412	$ 145,361	$ 108,568	$ 169,109	$ 112.412
Sutler	$ 169.109	$ 143,915	$ 145,172	$ 103,008	$ 169,109	$ 143,915
Tehama	$ 169.109	$ 143,915	$ 112,543	$ 82.341	$ 169,109	$ 143.915
Trinity	$ 169.109	S 143,915	NoData	NoData	$ 169,109	$ 143.915
Tulare	$ 169,109	$ 88.267	$ 123.917	$ 120,806	$ 169,109	$ 120,806
Tuolumne	$ 169,109	$ 143.915	$ 100.702	$ 91.506	$ 169,109	$ 143,915
Ventura	$ 169.109	$ 190.349	$ 322,661	$ 216,258	$ 262,833	$ 216,258
Yolo	$ 169,109	$ 143.915	$ 220,257	$ 161,204	$ 161,204	$ 169.109
Yuba	8 169,109	$ 143.915	No Data	No Data	$ 169,109	$ 143.915

AFFORDABILITY-BASED PROPOSED SALES PRICE LIMITS

2/24/00
Non-Target

COUNTY NAME	3+ Persons 115% MRB Income	x 3.5	Proposed Sales Price	Current Non-Target New	Current Non-Target Resale
ALAMEDA	$ 75,555		$ 264,443	$ 199,930	$ 187.972
ALPINE	$ 62.215		$ 217,753	$ 169.109	$ 143,915
AMADOR	$ 62.215		$ 217.753	$ 169.109	$ 143,915
BUTTE	$ 62.215		$ 217.753	$ 169.109	$ 96.310
CALAVERAS	$ 62.215		$ 217,753	$ 169,109	$ 143.915
COLUSA	$ 62.215		$ 217.753	$ 169,109	$ 143.915
CONTRA COSTA	$ 75,555		$ 264,443	$ 199.930	$ 187,972
DEL NORTE	$ 62.215		$ 217,753	$ 169.109	$ 143,915
EL DORADO	$ 62,215		$ 217.753	$ 153.700	$ 134.257
FRESNO	$ 62,215		$ 217,753	$ 169.109	$ 115.113
GLENN	$ 62.215		$ 217.753	$ 169.109	$ 143,915
HUMBOLDT	$ 62,215		$ 217,753	$ 169,109	$ 143.915
IMPERIAL	$ 62.215		$ 217.753	$ 169.109	$ 143,915
INYO	$ 62.215		$ 217.753	$ 169.109	$ 143,915
KERN	$ 62,215		$ 217.753	$ 169.109	$ 90,521
KINGS	$ 62,215		$ 217.753	$ 169.109	$ 143,915
LAKE	$ 62.215		$ 217.753	$ 169,109	$ 143.915
LASSEN	$ 62.215		$ 217,753	$ 169,109	$ 143,915
LOS ANGELES	$ 70,794		$ 247.779	$ 230.564	$ 196,190
MADERA	$ 62.215		$ 217.753	$ 169.109	$ 115.113
MARIN	$ 83,260		$ 291,410	$ 224.072	$ 256.510
MARIPOSA	$ 62,215		$ 217.753	$ 169.109	$ 143.915
MENDOCINO	$ 62.215		$ 217.753	$ 169,109	$ 143.915
MERCED	$ 62.215		$ 217.753	$ 169.109	$ 143.915
MODOC	$ 62,215		$ 217.753	$ 169.109	$ 143,915
MONO	$ 62,215		$ 217.753	$ 169,109	$ 143.915
MONTEREY	$ 62.215		$ 217,753	$ 169,109	$ 170,556
NAPA	$ 62.215		$ 217.753	$ 173.303	$ 174,219
NEVADA	$ 62.215		$ 217,753	$ 169.109	$ 143,915
ORANGE	$ 70.545		$ 274,908	$ 229.003	$ 204,037
PLACER	$ 62,215		$ 217.753	$ 153.700	$ 134.257
PLUMAS	$ 62.215		$ 217,753	$ 169.109	$ 143,915
RIVERSIDE	$ 62,215		$ 217.753	$ 149,599	$ 160.249
SACRAMENTO	$ 62.215		$ 217,753	$ 153.700	$ 134,257
SAN BENITO	$ 62,215		$ 217,753	$ 169.109	$ 143,915
SAN BERNARDINO	$ 62,215		$ 217.753	$ 149,599	$ 160.249
SAN DIEGO	$ 62,215		$ 217,753	$ 149,933	$ 167.232
SAN FRANCISCO	$ 83,260		$ 291,410	$ 224.072	$ 256,510
SAN JOAQUIN	$ 62.215		$ 217.753	$ 169.109	$ 120,512
SAN LUIS OBISPO	$ 62.215		$ 217,753	$ 169,109	$ 178,861
SAN MATEO	$ 03,260		$ 291.410	$ 224.072	$ 256,510
SANTA BARBARA	$ 62.215		$ 217,753	$ 169.109	$ 103.443
SANTA CLARA	$ 94,990		$ 332,465	$ 237,705	$ 220,411
SANTA CRUZ	$ 70,150		$ 245,525	$ 169.109	$ 215.270
SHASTA	$ 62.215		$ 217.753	$ 169.109	$ 111.113
SIERRA	$ 62.215		$ 217.753	$ 169.109	$ 143,915
SISKIYOU	$ 62.215		$ 217,753	$ 169.109	$ 143,915
SOLANO	$ 62.215		$ 217.753	$ 173.303	$ 174.219
SONOMA	$ 64,285		$ 224,998	$ 169,109	$ 188,590
STANISLAUS	$ 62.215		$ 217,753	$ 169,109	$ 112,412
SUTTER	$ 62.215		$ 217.753	$ 169,109	$ 143.915
TEHAMA	$ 62.215		$ 217.753	$ 169.109	$ 143.915
TRINITY	$ 62.215		$ 217.753	$ 169,109	$ 143.915
TULARE	$ 62.215		$ 217.753	$ 169.109	$ 80,267
TUOLUMNE	$ 62.215		$ 217.753	$ 169.109	$ 143.915
VENTURA	$ 75.095		$ 262.033	$ 169.109	$ 190,349
YOLO	$ 62.215		$ 217.753	$ 169.109	$ 143.915
YUBA	$ 62.215		$ 217.753	$ 169.109	$ 143,915

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