BOARD OF DIRECTORS

Thursday, May 11, 2000

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

9:30 a.m.

1. Roll Call ....

2. Approval of the minutes of the March 9, 2000 Board of Directors meeting.. .... .702

3. Chairman/Executive Director comments.. ....

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

Number	Development	Locality	Units
00-005-N	Lassen Apartments	San Francisco/ San Francisco	81

Resolution 00-09.. .... .804

Number	Development	Locality	Units
99-033-N	O'Farrell Tower Apartments	San Francisco/ San Francisco	101

Resolution 00-10.. 826

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

Number	Development	Locality	units
97-036-S	Park Place Apartments	Van Nuys/ Los Angeles	142

Resolution 00-11.. .... .850

6. Discussion, recommendation and possible action relative to the adoption of a resolution amending Resolutions 00-05A and 00-06A (authorizing the issuance of bonds) and approving the form of a new indenture for the issuance of commercial paper. (Ken Carlson)
Resolution 00-12..880

7. Discussion, recommendation and possible action relative to the adoption of a resolution approving the Five-Year Business Plan for fiscal years 2000/2001 to 2004/2005. (Dick Schermerhorn/John Schienle/Ken Carlson)
Resolution 00-13..930

8. Discussion, recommendation and possible action relative to the adoption of a resolution approving the 2000/2001 CHFA Operating Budget. (Jackie Riley)
Resolution 00-14..998

9. Other Board matters..

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

****NOTES:**

HOTEL PARKING: Hotel parking tickets will be validated at meeting site. (Charged discounted rate: $7.00 plus 10% tax.)

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be July 13, 2000, at the Host Airport Hotel, Sacramento International Airport, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

The Host Airport Hotel
Camellia Room
Sacramento International Airport
Sacramento, California

Thursday, March 9, 2000
9:30 a.m. to 12:05 p.m.

"Minutes approved by the Board of Directors at its meeting held: May 11, 2000

Attest: ________"

Reported and Transcribed by: Ramona Cota

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A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

BETHANY ASELTINE

JULIE BORNSTEIN

ANGELA L. EASTON

CARRIE A. HAWKINS

ROBERT N. KLEIN II

PAT NEAL

THERESA A. PARKER

JEANNE PETERSON

Staff Present:

DAVID N. BEAVER, General Counsel

JOJO OJIMA

For the Staff of the Agency:

KENNETH R. CARLSON, Director of Financing

G. RICHARD SCHERMERHORN, Director of Programs

LINN G. WARREN, Chief, Multifamily Lending

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

BILL WITTE, The Related Companies of California

BILL TAYLOR, University Avenue Cooperative Houses

705

I N D E X

P R O C E E D I N G S

THURSDAY, MARCH 9, 2000 SACRAMENTO, CALIFORNIA 9:41 A.M.

CHAIRMAN WALLACE: I would like to call the meeting to order and have the Secretary call the roll.

ROLL CALL

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

MS. PETERSON: Here.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Here.

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

MS. NEAL: Here.

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Easton?

MS. EASTON: Here.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

(No response).

MS. OJIMA: Mr. Klein?

MR. KLEIN: Here.

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Here.
MS. OJIMA: Mr. Gage?
(No response),
MS. OJIMA: Ms. Aseltine for Ms. Lynch?
MS. ASELTINE: Here.
MS. OJIMA: Ms. Parker?
MS. PARKER: Here.
MS. OJIMA: Thank you. We have a quorum.
CHAIRMAN WALLACE: Good. How many?
MS. OJIMA: Seven.
CHAIRMAN WALLACE: Good, thank you.

APPROVAL OF THE MINUTES OF THE JANUARY 20, 2000 MEETING

I'd like to call for approval of the minutes of the January 20, 2000 Board of Directors Meeting.
MS. HAWKINS: I move approval.
CHAIRMAN WALLACE: Carrie.
MS. EASTON: I'll second.
CHAIRMAN WALLACE: A second, Angela. Any amendments, comments, criticisms? Not criticisms, amendments. Who has got any? Hearing none, secretary, call the roll.
MS. OJIMA: Thank you. Ms. Peterson?
MS. PETERSON: Aye.
MS. OJIMA: Ms. Bornstein?
MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?
MS. NEAL: Aye.
MS. OJIMA: Ms. Easton?
MS. EASTON: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: The minutes have been approved.
CHAIRMAN WALLACE: The minutes have been approved.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Item 3 on the agenda, Chairman/Executive Director comments. Let me welcome a friend of longstanding - I don't say an old friend - Pat Neal.
MS. NEAL: Thank you.
CHAIRMAN WALLACE: Pat, a recent appointee of the Governor as Deputy Secretary for Housing at the Business, Transportation and Housing Agency. Pat, we're delighted to have you with us all the way from Orange County. Any comments?
MS. NEAL: Thank you very much, Clark, I'm delighted to be here. And I actually came from 1500 Fourth Street this morning.

CHAIRMAN WALLACE: Well, that's almost as far.

MS. NEAL: It is when you're not used to the one way streets, Clark.

CHAIRMAN WALLACE: Right, and this new terminal. Julie has switched seats but it's sure nice to have you back.

MS. BORNSTEIN: Thank you.

CHAIRMAN WALLACE: As Director of HCD.

MS. BORNSTEIN: That's right, thank you very much.

CHAIRMAN WALLACE: But you are ready and on a roll because you have been here before. We're delighted to have you back. Who else? Bethany has been here, and Jeanne, the rest of us are veterans of varying degrees.

So let me say one other thing. Terri and I have talked about the whole e-commerce explosion and what the Internet is doing. We are looking at its impact on CHFA. I see things happening, I'm sure we all do. It's an explosive whole new business environment. Thanks to Bom Maio I'm learning more about it. Dom is our resident CHFA expert in the whole area and we're fine as an agency.

What is a little bit troubling, perhaps -- and Terri and I have talked and I think you're going to be nearing further -- is the impact on the brokerage community, particularly the loan brokerage community, and our network :hat we have to deal through. So Terri is going to be Looking further. Issues like, do we need to commission a study to look at the effect it might have on the Agency and its processes and/or do we need, as a Board, to look more in-depth on the impact it may have?

So while there's nothing for decision-making today we're probably going to be talking about this as a Board and staff in more detail. Particularly as it impacts CHFA because of the outside world and what it is doing and/or not doing. I know in other arenas, the National Association of Realtors has jumped on the bandwagon about five years ago and thank goodness they did. But I know also that the mortgage brokerage industry is struggling, the mortgage banking industry, and we rely on those industries in part for the business that we need to transact. So I'm just giving you a heads-up that we're probably going to have to reanalyze aspects of the direction of e-commerce, et cetera, et cetera, et cetera, as it may impact our ability to create and deliver product. With that, Terri, you had an item or two?

MS. PARKER: Yes, Mr. Chairman, just a couple of things. Just to follow up on what you said about e-commerce, just to add to it. The Governor has been very involved in appointing staff to focus on this issue, and in that sense fostering an environment for government to look at coming into e-commerce. Jackie and Dom and a number of staff have been involved in attending some forums on this and I know that there will be a great deal of conversation about this within state government in the future. Clearly, as you said, we need to be aware of how that will affect our business as an entrepreneurial entity for the State.

The second thing I just want to touch on briefly is to let you all know that we lost a member of our staff last night, our family is one short. Bill Cranham's colleague in the Marketing division, Lloyd Boland, passed away last night so I just wanted to let you know. Our thoughts are with his family.

Thirdly, NCSHA is having their LegCon meeting in Washington this coming week. Jeanne Peterson and I will both be there with Bill doing tag teams on visiting members and talking to the Governor's Washington staff and staff members of the congressional delegation to make a pitch -- not just for co-sponsorship, because we have 91 percent of the delegation -- but to remind them of the importance of pushing these two bills and any kind of tax legislation that might pass. Currently we are in the minimum wage bill that's up for consideration in the House, but depending on what happens with that bill, we don't want that to be the only vehicle that we may be in for consideration. So we will keep you posted on that. I just wanted to let you know that was upcoming and we will be continuing our efforts.

Thank you, Mr. Chairman.

CHAIRMAN WALLACE: *Any* questions? Bob.

MR. KLEIN: Terri, could you tell us what the reasoning is behind the President not including the acceleration of the bond cap in the budget that was submitted. What is the thinking on that?

MS. PARKER: My understanding, Bob, is that it continues to be an issue with the Treasury not being particularly enamored with this. That he has included tax credits but bond cap, the staff of the Treasury has been successful in their lobbying efforts within the administration to say that this should not be included.

CHAIRMAN WALLACE: Any further questions, Board or audience? Okay, moving on.

RESOLUTION 00-07

As I walked in the room I understand that, Dick, Item 4-A has been scratched, Whispering Pines.

MR. SCHERMERHORN: That's correct, Mr. Chairman. The project, Whispering Pines Apartments, was withdrawn by the sponsor yesterday so we will not be presenting it here today.

RESOLUTION 00-08

CHAIRMAN WALLACE: So that vaults us into El Rancho Verde.

MR. SCHERMERHORN: Yes, Mr. Chairman. This is a project we previewed for you all late last year. Instead of me doing my unusual introduction here let me give you a context in which we would hope you would consider this transaction. First off, we recognize that this transaction is more than twice the size of the largest project we have in our portfolio, which is the $30 million complex, Monte Vista, which the Board approved a couple of years ago which is located in Fremont, and the second largest project, which was the Marin City development, which was nearly $25 million that we did a few years ago.

We consider this transaction to be less of a portfolio credit risk than either of those other two transactions. And the reason is, in the case of the Monte Vista Project, which is currently our largest project, a significant portion of that project is a market rate transaction so it's about 50 percent affordable and 50 percent market. We're quite comfortable with it because it's in a very strong market. But just on paper compared to what we're looking at today, which is a substantial affordable housing project, this one in our view is a better credit risk. Secondly, given it's location, the market and the forecast, and given it is a substantial affordable project, we are very comfortable with dealing with this size of a transaction. That's the credit risk issue.

There is a timing issue here. We are presenting a transaction to you -- And Linn will be going into considerable depth and detail about what we are talking about and what the structure is on this. But this transaction, if it were to go forward as is today, we're ready to proceed with it.

There is an outstanding question about at which is not in either our control or the sponsor's control at this point to render a decision about, and that is the HUD determination about what the Section 8 contract rent level will be if we go forward with this transaction. We have made a couple of assumptions about that. One is the assumption that the sponsor is striving for, and Linn will cover that, and that is the basis for this presentation.

This would be the largest loan amount that we would consider in the transaction and it does make that assumption. If for some reason the HUD decision is for a Section 8 contract level that is less than what we are assuming in here, our mortgage amount would be reduced accordingly. The sponsor is aware of this: the sponsor understands it would be their responsibility at that point to either accommodate the development cost issue in there in some fashion without compromising the agreements that we have on this project now regarding its financial structure, its rehab and its affordability.

And this is the timing issue. This is a project that will have to go to the CDLAC agenda meeting the latter part of next month. About two weeks before that meeting there will be an agendizing of the CDLAC meeting and the sponsor will face a decision at that point in time as to whether the deal from their standpoint should proceed. But as we are presenting it today, if everyone came together on the remaining two pieces on this, which is the appropriate private activity bond allocation and a HUD determination on the contract rent, this transaction we are ready to proceed with.

So with that, what we are presenting to you is a final commitment request for two loans to provide permanent funding for the El Rancho Verde Apartments in San Jose. The first loan that we are talking about is $70,900,000 and it's a blended tax-exempt/taxable structure. The second loan is in the amount of $2,745,028 and it is to do the interest rate, the 236 IRP loan substitution on this transaction. So without further ado let's get into the specifics of the project.

(Video presentation of project begins.)

MR. WARREN: Thank you, Dick. Mr. Chairman. As Dick indicated, the project, El Rancho Verde, is located in San Jose. The main artery is McKee Boulevard, which connects the project to the major freeways. The project was built in two phases in 1969. This is Checkers Drive, which is in the middle of the project, which bisects it. It's a main artery shich connects McKee to some streets in the back. On the left here is the community building. The sponsors have indicated a desire to replace this with a more upgraded building.

The main theme for the rehabilitation, which I'll talk to in a moment, is to make this project competitive with other tax credit projects in the general San Jose area, so let's discuss some of the building improvements. Generally speaking, the project is in very good shape. As I said, even though it's 30 years old it is often mistaken for a project 20 years in age. The sponsors have an indication they wish to repaint the project with multiple color schemes, today it's all one, kind of a monotone color for both projects.

The roofs are actually in very good condition, although there are some repairs that will be required. Fortunately, just the sheeting needs to be worked on in certain areas, the underlying structure members are sound. Water heaters will be replaced throughout the project. The windows and the sliding door windows are at the end of their estimated useful life and they too will be replaced. An additional amenity that the sponsor wished to include are wall-mounted air conditioning units. This is not an air-conditioned project. And again, the theme that the sponsors are maintaining is they want to make this more livable for the tenants and make it competitive in the long run.

Unit rehabilitation is similar in depth as for the buildings. The cabinets are pretty much at the end of their lives. Many of them will be replaced, some will be repaired. An additional amenity are dishwashers. These are large, family units, two- and three-bedrooms, so the sponsors believe, and the staff agrees, that installing dishwashers is important for livability and in an important marketing amenity. The flooring needs to be replaced, as you can imagine it has suffered through the years. And we are requiring new appliances, stove, refrigerators and such.

The bathrooms. Fortunately, our physical needs assessment came back and there is little indication of dry rot behind the shower enclosures. But along those lines, many of them will be replaced and be refinished. Recessed medicine cabinets will be included in all the units and new hardware and flooring as appropriate. In the living areas, new carpeting, fairly standard, window coverings. Staff has requested that the sponsor put in hardwired smoke detectors, which they have agreed to do.

One of the big problems that exists on the site, as you can imagine with 700 units, is parking. Given the large, family units that exist there, many of the families have two or even three cars. So there is a great deal of street parking as well as all of the on-site parking that has been taken care of. What the sponsors wish to do, number one, as you can see on these parking structures right here, these roofs are pretty much at the end of life. There is a pitched roof with these little crevasses in here. They collect a lot of water damage. Those will all be replaced and repaired.

But the sponsors wish to go into a double assigned parking structure in which some units may have two parking spaces assigned to them on the site. The objective is to reduce the street parking which surrounds the project. They probably can't reduce it entirely, but they can certainly make an appreciable dent in it. These parking surfaces here, generally speaking, they need to be resurfaced and repatched.

One of the real benefits of this project is the open area. The density for the project is 18 units per acre so it's very low density, given other projects in San Jose. The sponsors wish to expand the play area. You can see some of the older play equipment in the upper right hand picture. These will be replaced with age-appropriate tot lot and playground equipment. But because of the open areas, what the sponsors wish to do are establish quiet areas, and these would be basically open, unencumbered landscaped areas for various activities.

One nice component of this is that the laundry facilities, and there's about six of them throughout the project, are located next to these open areas. Now, these are fairly dated, as you can see. These pitched roofs will all be replaced and you have water damage here. But the sponsors wish to open these up and expand them as they can for a couple of different reasons. You want to be able to have families who can do their laundry and observe their children nearby. Plus, these are fairly enclosed structures. From a security and surveillance standpoint this is difficult for property management. So the sponsors wish to improve these particular areas as well.

In addition to what they are planning there are two major, additional construction improvements. The first is they wish to construct two swimming pools, one for each phase, and some wading pools; they have the open area to do this. And, to build a new community building, as I indicated, to help with the curb appeal for the project. So it's a fairly ambitious plan, but as I said, the reason for it being that is to upgrade and recapitalize the property, plus make it competitive as a tax credit project on a long term basis.

And these are just some general shots of the project. There are some townhouse configurations, which are fairly spacious. And as you can see, the property has been very well maintained and many of the picnic and garden areas actually today are quite nice.

In the areas of rents let's go into two quick areas. The project has been underwritten with 50 and 60 percent rents, the standard tax credits configuration, and these are the various rent levels under the 1999 HUD rents that we have.

As Dick indicated, there is a Section 8 contract that exists on the property. Let me go ahead and progress through here and we'll discuss the relative rent levels. There are actually four Section 8 contracts on the property spread over the two phases. They are on annual renewals and currently the rent levels are shown on the red graph bar. As Dick indicated, the sponsor has gone to HUD to increase these contracts to the 60 percent levels to where we are underwriting our project at. That's a requirement override that needs to be underwritten. Those negotiations are continuing and we have, basically, a trigger point of sometime early next month to decide whether to proceed or not.

The rents for the San Jose area are pretty well documented. You can see in the yellow bars. These rents differ a little bit from your Board materials in that these are current rents for the two- and three-bedrooms. These are actually probably somewhat conservative for the San Jose area. $1300 for a two-bedroom, $1600 for a three-bedroom. rhey are escalating, they continue, the rent pressures are very high.

One of the main problems that exists in San Jose today is many of the low income tenants that are essentially service workers are being squeezed out of Central San Jose and being forced to find housing in the outlying areas. It's contributing to many of the traffic congestions for workers to come back into San Jose where their employment is. So it can only get worse. The primary market area for El Rancho Verde is basically East San Jose, one-and-a-half to four miles, and there's approximately 5,000 eligible households in the immediate area. So demand should not be a problem on a long term basis for this project.

The financing sources: Basically, a typical layered transaction. CHFA debt consists of $70 million -- actually it's $71 million. $64 million of bond debt, $6.9 million of taxable and a taxable tail. The taxable component for the project will be disbursed through construction. One of the things that we want to be sure of is that the rehab scope is done according to our agreement. So in approximately month 10 of the 24 month construction period, we will do monthly disbursement draws of the taxable funds and we will sign off on the disbursements with monthly inspections. In addition to this, construction financing will come from a mezzanine piece of financing that the sponsors are securing. That will be paid off by equity at the end of the construction period and the equity provider themselves will come up with construction money.

So we take the rehab very seriously. Because this has prevailing wage because of the City of San Jose money, we felt it was important for us to be involved as not only a debt lender from an acquisition standpoint, but also a construction lender so we can monitor the progress. The City of San Jose, $5.5 million in residual receipt money; project operations during a 24 month period will contribute $9 million, most of that will go for construction interest to CHFA; and tax credit equity currently estimated at $26 million.

Now, one problem arose in the financing and I need to spend a little bit of time on this. When the purchasers entered into a contract to buy the property it was represented by the sellers that the existing loans on both phases could be prepaid. During the due diligence it was found that that's not true. On one phase, Phase 2, there is a loan that is a Ginnie Mae which is held by a REMIC which has a payment lockout period for three more years so it is not possible for that to be done today.

So it was decided by the parties that we would enter into a defeasance scenario where we can, basically, make payments without having to prepay the loan. So let me run through how that would work under the defeasance scenario. Right now we have project income, which generates cash that goes to the borrower, who in turn pays the existing loan now held by the REMIC. Under defeasance, the first two sections, basically stay the same. Project income is generated, we have a new borrower who in turn will obtain the project cash.

The existing loan held by the REMIC is then assumed. And this has to be consented to by the REMIC holders and by HUD. Now, behind the REMIC loan in order is the CHFA loan. You can think of it as an all-inclusive loan, if you will, and this represents, basically, the $70 million. Now, the way that we defease a loan is by purchasing treasury strips. Treasury strips are merely securities, government securities, that are purchased. And what they do is, as you redeem them, the redemption of those strips match the principal and interest of the existing loan that is being assumed.

So when the CHFA bond debt occurs we would take the proceeds from the bond debt and buy treasury strips to defease the entire loan, approximately $15 million. Then a trustee, and I'll explain that in a minute, would then take these individual securities, redeem them on a monthly basis, and then pay the debt service to the REMIC loan.

We have required that a Big Five accounting firm go through the financial analysis of this treasury strip and certify to us that this would work and to that end the sponsors have retained Arthur Anderson to provide that analysis to us. It will also require concurrence of our bond counsel, there are some rules in here that need to be done. This is a fairly common device, although the Agency has not used it before. Theoretically, this should work. There's really 100 percent security for the Agency and for the whole of the REMIC loan.

So with that I think I will stop and ask you to take over.

(Video presentation of project ends.)

MR. SCHERMERHORN: Just a couple of other items regarding the project. The occupancy restrictions on this are going to be multiple regulatory agreements. What we have affecting the project would be a CHFA regulatory agreement, a tax credit regulatory agreement, a HUD 236 regulatory agreement which we would administer. In providing the 236 loan we would assume the IRP responsibilities. And there are outstanding regulatory agreements under what Linn was describing on the second project because it's a 241 loan, an insured 241, which carries with it HUD restrictions which we have to have control of for the remaining three year life of that so that CHFA is in control of all the regulatory agreement monitoring on that project.

So it shakes down, basically, our regulatory agreement would be 20 percent at 50 percent, the tax credit regulatory agreement is 100 percent at 60 percent. And then for the remaining life of the 236, which is another 12 years, 71 percent of the units will be restricted to 50 percent. So there's considerable affordability being regulated in this project. That's one of the reasons why we are interested in it.

Technical reviews have been done on the project. There has been an environmental review. Phase 1 didn't turn up any particular problems with it. It was noted that there are asbestos and lead-based paint materials in the project but they were not called out as a problem and would not be a problem as long as there is a contemporary operations management plan in place, which we will be requiring and which we will monitor to make sure the project is held harmless on that issue. We need an Article 34 satisfactory opinion letter.

The development team here is a -- It's being developed by Related Companies. I think most of you are familiar with them, a for-profit developer of affordable housing. The tax credit partnership. Although we have identified in here a nonprofit managing general manager that may not be the final configuration. The developer on this is still working on finalizing the exact structure of this nonprofit and the participant in it but that should be resolved shortly.

They will be--they being related--will be assuming the management responsibilities on the project. We're familiar with them both as a developer and as an asset manager. So with that we're recommending approval of this transaction and welcome any questions that you may have.

CHAIRMAN WALLACE: Questions from the Board? Mr. Klein.

MR. KLEIN: First of all, I'd like to compliment the staff for taking on a complex challenge like this. This is certainly an opportunity that's complex enough a number of other lenders might not accept the challenge. But it is a vitally needed type of resource in Silicon Valley.

In fact, I would hope there would be some outreach to Silicon Valley. I don't know if anyone has been following the news lately but there are huge rallies being marshalled in Silicon Valley for affordable housing. I would hope we could try and interface with some of those groups to see if there is some way we could contribute, even in acquiring land or providing some function outside of our normal blueprint.

But in terms of this specific project: I am supportive of it, particularly because of the quality of the developer and Bill Witte's track record and reputation, as well as the quality of the San Jose program. Normally, I aould have some major problems with a $70 million loan because of the risk level concentration.

The issue in terms of the size of the loan, though, even though I am very supportive and I think we should go forward on this, I would like to know whether in our rating analysis when they do the stress tests on our portfolio does this increase the amount of reserves that we are imputed to have to set aside? Because at our peak stress test they will do on our portfolio the rating agencies will look at this $70 million loan as a significant deviation. And maybe Ken can talk'about that before I go to the next set of questions.

MR. CARLSON: Yes. Mr. Chairman, I think the answer to the question is related to the fact that these bonds aren't viewed as limited obligations. The Agency is backed by the assets and revenues of that particular transaction. The bonds we are going to sell for the pool of projects that will include El Rancho are backed by the full faith and credit of the California Housing Finance Agency.

They are general obligation bonds. On an annual basis the rating agencies look to see what we pledged our general obligation to. And, yes, they will assess a capital charge but it won't be--at least as far as I know--it won't be any different than it would be if we did ten projects of $6 million apiece. It's the same standard, at least in Standard and Poores' analysis and their methodology for assessing capital charges on our general obligation.

MR. KLEIN: I would ask, Ken, if you could follow up with Standard and Poores. The deviation from the standard on this size loan is significant enough that I would, by my past experience, think they might change their approach. It's not that I don't think we should do loans of this size. I think that we just need to know if there is, because of the size, going to be a different stress test done and a different reserve calculation done on those stress tests. But I would appreciate if you could follow up with them, Ken.

MR. CARLSON: I'd be glad to do that.

MR. KLEIN: The second thing that I'd like to say here is that I have a fairly well established and fairly well known position about very large projects that have deep targeting at 50 percent of median, where I have a very high level of concern about those projects over time. And certainly in Silicon Valley we have had a good eight or nine year run, that means that unemployment is at extremely low levels. But people at the 50 or 60 percent of median level will be the first laid off when we hit a recession.

I am glad to see that 71 percent restriction at 50 percent of median will burn off within the first 15 years because that is very important. I wouldn't want to see us get in large projects with huge concentrations at 50 percent of median because of the historical problems of projects of that type all across the country, even projects that had massive public support and tremendous assistance.

But I understand there is going to be a social service program here that will help, also, mitigate the issues of large percentages at 50 percent of median. I know that the flesh hasn't been fully put on the bones but in order that we could have some benchmark in reviewing future projects I would hope the staff could report back to us at a future date on what the social service program was that was actually put in place.

I understand that there is potential for a learning center, I understand the other plans that are in process, and I think that our requirements of the sponsor have to be reasonable. But these social service programs do have a significance on the quality of tenant that's retained and on the quality of tenant that is attracted, as well as helping large concentrations of people at 50 percent of median through very stressful economic times, which will come at some point in that 12 years.

But I would greatly appreciate a staff report. And again, I think we need to be very reasonable about this but there's certainly a huge number of children in this project. The final --

CHAIRMAN WALLACE: Hang on a minute, Bob. The demand analysis, or my gut reaction is, the demand must be excessive for this kind of -- I mean, really deep.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Apropos of Bob's concern, yes, we'll see a downturn sometime in the 15 years. But I would think that the depth of the demand would be phenomenal.

MR. WARREN: It is, Mr. Chairman. We looked at that and Bob's comments are very appropriate. We looked at the level of demand for this particular market and it is extremely hot and very high and very strong and we have all heard the horror stories. The sponsor has really two thrusts. The service program, one of them is, yes, for tenant retention, which is critical.

And as I think I commented during my presentation, the rehab component is geared toward making the project competitive on an ongoing basis because the current economic conditions, you know, will turn at some point in time and the project needs to be positioned, given the sheer size of it, to compete with other projects that exist in San Jose and will be developed in the future. That's the goal of the sponsor, and clearly, as we underwrote the loan, that was our goal too.

MR. KLEIN: Mr. Chairman, my concern was more in the case that if you have an extreme level of layoffs in this economic group in a deep recession. It's not that there's insufficient demand, it's that you have a tremendous amount of turmoil in the project itself with major evictions and problems of that kind, at the 50 percent of median level in particular. So I'm just saying it's a challenge that needs to be recognized and proactively dealt with. But if *you* look at the Massachusetts Housing Finance Agency and New York Housing Finance Agency and some others in deep recessionary periods, it wasn't that they didn't have people who would rent the units. The problem was that people wouldn't pay for the units because they couldn't pay.

But the final comment that I would make is on the $2 million transition reserve that's in this project. If someone could explain to us the mechanics of that reserve and how it was calculated.

MR. WARREN: Sure. We did an initial analysis 3s to what would happen when the Section 8 should stop. And we were satisfied that given the economic conditions in San Jose, which we think will continue for a fair period of time, that if we capitalized a $2 million reserve today and put that basically in an account, into a fund that would let that accrue interest for a period of time, at some time in the future should the Section 8 stop and the tenants go to vouchers or the project converts to 50/60 percent tenant-

for this reabsorption of tenants.

So we estimate it will be approximately three-fourths of an annual piece of debt service far the full project should the property transition. And given the economics of the property we felt that capitalizing $2 million today would be sufficient. Given the turnover rates we think the reabsorb would be pretty quick. That that would be a sufficient reserve to carry the project while they reabsorb new tenants should the turnover occur.

It's still more art than science in analyzing these transition reserves. But by the time the Section 8 does stop the account should accrue to sufficient size to basically be, perhaps even as high as a full year's worth of debt service. And that's essentially how we sized it.

MR. KLEIN: Okay. I appreciate the explanation; I think it's a very important provision in the document. At the end of 12 years I would think it might be helpful if this money were available to the owner to make the transition when the HUD regulatory agreement burns off to be able to transition part of the project from 50 percent of median to a better balance with a greater portion at 60 percent of median. Is that --

MR. SCHERMERHORN: That will be more driven by the issue of what is the status of the 'Section 8 contract at that point.

MR. KLEIN: Right.

MR. SCHERMERHORN: If that's still in place then the tenants, in effect, get held harmless in that transition process. If not, yes, that's part of what this is all about.

MR. KLEIN: Okay. I appreciate the explanation. I would like at some point just to see what the analysis is of the rent differential from what they are paying to what they would be paying if the Section 8 contract went away so as a benchmark for future projects I can see what the analysis is that goes into sizing this. But I am extremely supportive o what is being accomplished here and would like to again compliment the staff for accepting a tough challenge.

CHAIRMAN WALLACE: Thank you, Bob. Additional questions or comments from the Board? Julie.

MS. BORNSTEIN: Thank you, Mr. Chairman. I'm familiar with the use of treasury strips so I hope that other folks don't mind that I ask a couple of questions. I'm interested in what are the transaction costs for using that particular method.

MR. WARREN: The transaction cost has not been finalized. That is something that is being worked on now. As it stands right now the cost of that, it is my understanding, will be borne by the seller. The reason being, that this is something that was not part of the representation by the seller so the cost of establishing that would not be paid for by the bonds that are developed by the Agency. That is my understanding today and we'll see. But that is what the sponsor told us.

MS. BORNSTEIN: Okay, thank you.

CHAIRMAN WALLACE: Anyone else? Carrie.

MS. HAWKINS: I just have a question. On page 843, Existing Loans and Section 8 Status. It says:

"The Sponsor is requesting a HUD approval letter and believes the REMIC servicing agent will then execute a release and assumption agreement."

I would assume that it's more than believes. You must --

MR. WARREN: It is a requirement. It will be.

MR. SCHERMERHORN: It has to happen in order --

MS. HAWKINS: But, I mean, you believe it. You must know.

MR. SCHERMERHORN: We are reasonably certain that this will occur. But it is a condition that has to be met.

MS. PARKER: It has to occur and we believe it will happen.

MR. SCHERMERHORN: Whichever works.

CHAIRMAN WALLACE: Apropos of that too, Dick. In your prefatory remarks you said both HUD and CDLAC have to approve. We don't fund until we get those kind of approvals.

MR. SCHERMERHORN: That is correct.

CHAIRMAN WALLACE: So we have got, actually, a deal contingent upon a number of these things being borne out.

MR. SCHERMERHORN: Which is not unusual.

CHAIRMAN WALLACE: Which is not unusual. I think you said sometime in April is the next CDLAC meeting.

MR. SCHERMERHORN: About mid-April a drop-dead decision is going to have to be made by the sponsor. The CDLAC meeting is scheduled the end of April.

CHAIRMAN WALLACE: And whether the sponsor goes the A scenario or the B scenario, you are going to know before CDLAC has to render their decision. Any other comments?

MR. SCHERMERHORN: Yes, you have got one over there on your right.

CHAIRMAN WALLACE: Yes, Jeanne.

MS. PETERSON: I wanted to join Mr. Klein in congratulating the staff and the sponsor for putting together a really complicated deal, and one that was pretty overwhelming to me. To see 700 units, not something that probably any of us would propose or approve if it was new construction all in one place at this point. But the fact that we do have the opportunity to preserve this housing as affordable housing in Silicon Valley is pretty impressive. I note that the acquisition costs are about $110,000, which in a former life would have been amazing to me but, I guess, now is amazingly great for the location, and about $50,000 or so in rehab costs.

I had just a couple of questions and I guess that one of them has already been asked. And that is: Do we have any idea about the timing of HUD's approval, both on the Section 8 rents and on the assumption? Are we just assuming that that's going to happen prior to mid-April?

MR. SCHERMERHORN: For the purposes of the timing we have made an assumption that they will make a decision. And for the purposes of this presentation we have made an assumption that the decision would be for the contract rent level necessary to debt service the proposal. We can flip a coin, or, your guess is as good as mine as to when HUD is going to make a decision about this, we don't know.

We only know at this point that the issue is before them, they have a decision to make, and dependant upon the decision would depend on the mortgage size that we're talking about. This would be the maximum that we would consider.

MS. PETERSON: Well, just sort of following up on that, two questions. One is, was consideration given, either by the sponsor or by the staff to doing this in two phases since it already, A, exists in two phases, B, Phase 2, we have this three year period on. I mean, I'm sure that it was considered and I'd like to know why having considered it we decided not, in fact, to go that route. And secondly, if HUD were not to agree to the assumption of the 241(f) (1) would we just be seeing Phase 1?

CHAIRMAN WALLACE: Is the sponsor here? Would you care to comment? If you could, come up and borrow a microphone. Tell us who you are, representing Related.

MR. SCHERMERHORN: Join us.

MR. WITTE: Yes. My name is Bill Witte, I'm a partner with Related Companies of California, representing the sponsor, and I appreciate your continued consideration of this loan request. We did consider the phasing. The seller will not and cannot phase it for a variety of reasons, including in no particular order, for a variety of things connected to their partnership they have always operated this as one project. There is one management office, one site office. Though it was financed as two, nominally, as two HUD-insured projects they have always operated it as one. They have written us and CDLAC and explained in detail why they can't and won't separate the two.

So from the purchase and sale contract and the seller's point of view it would either go as one or not at all. Now, obviously, we had to consider that, vis-a-vis this 241 issue. Which is why, I don't know if it was a month or two months ago, we finally felt confident that that was resolvable, because that would have been a deal breaker for the same reason. But we are very confident that -- I don't want to jinx the result but we have a fair measure of confidence with the HUD process as well. Famous last words.

MR. SCHERMERHORN: I might just add. We understood what the situation was here and it wasn't a decision for us to make. But we do have some practical, in-hand experience about this and, quite frankly, my druther would be for this to go as a total package. The reason is we currently have a transaction -- Our good friends at HCD have a project right next to us in which for the two to be really viable in the marketplace that they are in and to efficiently operate, they really need to be under single ownership, single management. And they are not and it is a problem situation. I look at this project and say, this is merely a larger version of this other scenario we are already dealing with.

MS. PETERSON: Certainly understandable. I didn't know until Mr. Witte's remarks that it's the same limited partners. It's one partnership that owns both of the phases; is that correct?

MR. WITTE: Yes, that's true here.

CHAIRMAN WALLACE: Yes, Bob. Jeanne, are you through?

MS. PETERSON: Yes.

MR. KLEIN: Bill, the process with HUD. I'm wondering, is there anything the Board could do? I know that staff has clearly expressed to the HUD staff the issue of the priority and the urgency of this. Is there anything the Board can do as another public agency to express at the Board Level to HUD that this is a priority project and they'd like a high level of focus?

MR. WITTE: I certainly appreciate the request. First let me say that your staff has been incredibly helpful with HUD. At every level from the first meeting we had in the San Francisco office, having both representatives, and in fact, the City of San Jose and the Santa Clara County Housing Authority I think helped establish with HUD that this had a wide degree of support. And that has been helpful at every level right up until now.

We actually have a lot of support from the HUD San Francisco office. It's just that they haven't done this before so Washington has to make some calls that they haven't made. Suffice it to say that we have used the California delegation to help them make that decision. I would welcome more support but we, certainly, from the mayor's office to the senate office level, I think have been quite active. And that's why I have some reason to feel confident, but thank you.

CHAIRMAN WALLACE: Further questions from the Board?

MS. HAWKINS: I just have --

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I noted that your company has a rigorous preventative maintenance program and' ongoing employee training, which have enabled the company to keep operating expenses and capital expenditures lower. I know that you come with a good reputation and I observed some of your projects in the past. Could you just tell us, briefly, what do you do that others don't do, and perhaps could learn from what you do do.

MR. WITTE: I can't really tell you what others don't do.

MS. HAWKINS: Okay.

MR. WITTE: Our company manages everything we develop but we are not in the fee management business, we are basically owner/managers. One thing that is a little different is the same management company that manages our luxury high-rise rentals manages this so the same standards of care that have to go into leasing up a property at $3 a foot rents manage public housing residents and Section 8 tenants as well. The only thing I would add more specifically is they have a pretty rigorous professional development program, the management company does, with a kind of cross training.

So, for example, in a property like this, which as your staff pointed out, has multiple regulatory agreements, it is very important that that be understood by the site staff. It may be administrative but it also affects how you lease, how you market. As Bob said, the services that get provided for a target population. So they do a lot of training in those areas. They take the assumption that until someone tells them otherwise they are responsible for services. That isn't, in fact, what will be done here. That will be vastly augmented, but they have that kind of a mind set

MS. HAWKINS: Thank you.
CHAIRMAN WALLACE: Further questions? From the audience, anyone? Thank you, Mr. Witte. The Chair will entertain a motion.
MR. KLEIN: I'll make a motion for approval.
CHAIRMAN WALLACE: Mr. Klein makes the motion.
MS. BORNSTEIN: Second.
MS. HAWKINS: I'll second.
CHAIRMAN WALLACE: Bornstein seconds. Secretary, call the roll. Any discussion on the motion? Hearing none, secretary, call the roll.
MS. OJIMA: Thank you. Ms. Peterson?
MS. PETERSON: Aye.
MS. OJIMA: Ms. Bornstein?
MS. BORNSTEIN: Aye.
MS. OJIMA: Ms. Neal?
MS. NEAL: Aye.
MS. OJIMA: Ms. Easton?
MS. EASTON: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-08 has been approved.

CHAIRMAN WALLACE: Resolution 00-08 has been approved. Thank you. Good job, staff, and Related. Keep them coming. In Bob Klein's remarks he recommended -- Are we doing any outreach in Silicon Valley? Can you help me, Dick or Terri? That sounds like a good idea, where we know there is a fertile field and lack of affordable housing. Is there anything we can do along those lines?

MR. SCHERMERHORN: Well, we have got communication lines open, although probably not to all of the folks that you're referring to because some of those have surfaced recently. But we are, on a regular basis, linked with the city because Alex's shop is very active in what is going on there and they keep us apprised where they have got something that we might be able to do. The same with the nonprofit sponsors that are working in the area. They tend to be a little ahead of what is going on with that and giving us input.

Beyond that, you know, the issue they are grappling with is one that doesn't result in instant housing down there. There's just such a gap. They are really working at trying to figure it out. And to the extent that our financing can help with it, we are certainly making it known to everybody that we will try and do it. But as you can see, with a transaction like this that we've just done, they are really difficult, layered efforts that have to be made because you're dealing with a built-out area down there.

MR. KLEIN: How would you feel about land banking when a governmental entity identifies land they are willing to rezone? The manufacturers association down there is willing to put out some matching funds so that we are not doing 100 percent loan. But it would certainly stretch their funds if CHFA, for example, could take sites that were aggressively promoted by both the local government entities and groups like the manufacturers association and put money into it. It could stretch a scarce resource and capture some sites, the few that are left.

MR. SCHERMERHORN: Yes. I think we have had previous legal opinion on this matter that it is not something that we can enter into but we'll double check it.

CHAIRMAN WALLACE: Let me take a different tack. How about meeting with Carl Guardino or Sonni McPeak and the Bay Area Council. They're all working on this stuff.

MR. KLEIN: Right.

MR. SCHERMERHORN: Oh, sure.

CHAIRMAN WALLACE: Meet down on their turf and give a little more emphasis to the fact that we want to do business down there.

MR. KLEIN: The government relations person for Intel, who is heading a group that is very aggressive in trying to put some money aside to help teachers directly. If

I could put together a meeting. Because I know they want to do something. They could certainly benefit from the expertise of our staff, whether we were participating directly or just advising them.

But I'd also like to say that from a historical viewpoint, I don't know what amendments have occurred, we should be able to do land banking based on the opinions at the time legislation was originally created. So I would hope we could take another look at that and figure out what tools we have. But our staff's expertise would be a great benefit, I think, to these individual groups so I'd like to put together a meeting --

MS. PARKER: Mr. Chairman, perhaps in that case what we might want to do is offer to expand the meeting, not just with CHFA but to the extent BT&H Agency, HCD, our colleagues at Tax Credit. In that sense we could get kind of a state housing team together to perhaps pick their brains and vice versa to have some discussion.

MR. KLEIN: That would be great.

CHAIRMAN WALLACE: I just think that's worth pursuing. Bay Area Council, Silicon Valley Manufacturers, Guardino's group, whatever. We should be a little proactive. They are all talking about it because it's a huge problem. And I think it shows a lot of good faith on our part, Terri, if we make some calls and try and arrange something. And I think it's a good idea to expand the --

MS. PARKER: Well, I think for them, you know, rather than trying to figure out which entity does what.

CHAIRMAN WALLACE: Right.

MS. PARKER: To the extent that we can get, you know, sort of the major players in a room so that we are not sitting there saying, oh, yes, that's really interesting but that's done by thus-and-such. Which is always very frustrating for people to deal with government because it always feels like they're being shunted off to somebody else.

CHAIRMAN WALLACE: Even if we do in the meeting.

MS. PARKER: Right.

CHAIRMAN WALLACE: At least if we had the consortium there it would give some chance for some positive impact, I would think.

MR. KLEIN: I think that's a great idea. And specifically, by having the person who is the head of government relations for Intel who has got a mandate to put the money out there. And the person at Hewlett-Packard. These people are telling me they have the authority. They are in a position to represent that they have the authority. So rather than just interfacing with the executive staff of a manufacturers association we are dealing with the principal players that have the authority to lead. That could have quite a significant catalyst effect.

CHAIRMAN WALLACE: But bring in the Guardinos and the McPeaks and the others.

MR. KLEIN: Right.

CHAIRMAN WALLACE: I think it will be worthwhile.

MS. BORNSTEIN: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Julie.

MS. BORNSTEIN: Certainly HCD would be very happy to join in those efforts. We have been in communication, particularly with the Silicon Valley manufacturers group. And as you probably know, last November they published an inventory in their multi-county region of what they feel are available sites for a number of housing projects so we could certainly use that as part of our discussion and have all of us meet with them.

CHAIRMAN WALLACE: Let's have our business development team go to work. Okay. Moving on I'm going to ask Vice Chairman Carrie Hawkins to chair Item 5.

SINGLE FAMILY MRB SALES PRICE LIMITS

MS. HAWKINS: Thank you, Mr. Chairman. Moving on to Item 5, Item number 5, discussion and possible action relative to Single Family MRB Sales Price Limits.

MR. SCHERMERHORN: Yes, Madam Chair. You can strike the possible action. This is just a report on the particular issue of single family sales price limits. You have received an updated memo on this subject, it's dated

March the 7th, and it's a complete package. The reason is we found a couple of number problems subsequent to having dispatched the package to you all. Obviously, you have got the material there.

In essence, what happened is that the Treasury Department stopped issuing updated sales price limits for single family mortgage revenue bond and mortgage credit certificate programs in September of 1994. In the last couple of years the fact that those limits did not move have increasingly become a problem for the affordable housing programs that operate under those limits as price increases were occurring in California.

We raised this issue -- We are not the only state that faced this so we joined in with other state housing agencies at a conference and said, we need to readdress this issue. And our proposal to it was, initially, could we get Congress to delete sales price limits since we think income limits really drive the process that most directly speaks to the public purpose involved and income limits substantively determine what the mortgage is going to be.

The initial sense was that Congress wasn't interested in deleting sales price limits but might be interested in alternatives so we suggested an alternative shich is being pursued. That's using the 3.5 multiplier on income limits so that it wasn't necessary for somebody to publish some separate standard at this point, we could just get income limits and do the multiplier. That's ostensibly under consideration.

We didn't want to wait for that process to reach a conclusion so last fall we commissioned a survey in the state. Under tax law authority there is a proviso whereby an issuer such as ourselves, if we can develop more current and detailed information than what the safe harbor limits are that are outstanding then we can use those limits as new safe harbor limits. So we did that.

We did the survey, we got the results back. There are some issues in California where we didn't get exact information from all counties. Some of the rural counties, the county assessor's records don't have a code associated with the transactions that makes it easy to extract that data out in a consistent fashion. There were a couple of other minor problems with it. When we looked at what we had we decided it was not critical. What we decided to do is take the data -- And the charts that you have here, basically, I think help you go through the whole thing.

The first of the charts, the Comparison of Sales Price Limits: The left hand columns have the 1994 Current Limits. Those are the limits that we are currently using for new construction and resale as the sales price limits for our program. The middle column for new construction and resale are the results of the survey. And where there is no data this is where, basically, we had problems -- the consultant had problems in coming up with credible information that we could use.

What we decided to do in looking at that is to establish new CHFA sales price limits for our program that on the bottom end are no lower than what the current safe harbor limits are in the Treasury Department's 1994 issue. So at the bottom end we are holding all the counties harmless with existing sales price limits unless the sales price limits are higher than that. On the top end, it will be constrained by the survey limits, that would be the maximum amount.

But because of our position believing that the sales price limits really should be driven by income limits we applied the 3.5 multiplier to the current income limits that we are working with to arrive at CHFA limits. And where that would show up is where they are less than the survey limit number. So we do have -- for instance, Santa Clara is a perfect example of one where the sales price limits in Santa Clara are $412,000. That's a median sales price according to this. If we use our multiplier in that case then the sales price limit we would use is $332,465 for new construction. That's the layout that we have on this.

There were four counties in which--and this is not unusual, this has happened in the past even with the Treasury

Department data--where the numbers were upside down, where the construction was lower than resale. And that can happen. So what we did -- and that's where we made the adjustment. We decided to hold those harmless by having both construction and resale at the same sales price limits. Because particularly in Monterey, San Mateo, San Francisco and Marin we have a little problem with having a lower new construction number than the resale number. So those are the limits that we're publishing.

The second chart on there goes through the exercise of taking the current income limits that we have and applying the 3.5 multiplier to arrive at the sales price limits. Then you can see how that plays out. We had hoped that the new income limits would be released by HUD at the time we'd go with this. It was supposed to be the end of February, it didn't happen; the latest we hear from them is now it's going to be the end of March.

MS. PETERSON: It came out this morning.

MR. SCHERMERHORN: Son of a gun, okay. Hold that.

MS. PETERSON: Which is bad news and good news, actually.

MR. SCHERMERHORN: It's bad news? Why is it bad news?

MS. PETERSON: I'm sorry for interrupting, but it's good news, actually. It's bad news only for those people who are trying to submit applications in less than a week's time --

MR. SCHERMERHORN: Oh, good.

MS. PETERSON: -- to tax credit.

MR. SCHERMERHORN: Very pleased to hear that. We were going to issue the sales price limits but we'll hold it up for a day or two so we can get the income limits and get everything recalculated and put everything out at one time. Very good, that's great.

MS. PARKER: We will recalculate this again to the 3.5 times that income.

MR. SCHERMERHORN: Yes. My guess is that if we had new income limits we'll probably, even with the 3.5 multiplier, it's going to really push these up against what our survey limits are in a number of these areas. So it's going to still close that gap.

Anyhow, the reason we had caveated the agenda as an action item is one of the things we had hoped to do, we note the effort that it takes to go through this exercise. We had hoped that we could provide a safe harbor for the localities and other government agencies to use these sales price limits without incurring additional cost and effort to do that. However, the lawyers tell us there is no federal legal authority for us to do that, only the Treasury Department can do that. So what we are going to do is make this information that we have developed available and any other jurisdiction would have to get whatever appropriate clearances they will need to use them in their jurisdiction. Hence the basis that this is just a report.

MS. HAWKINS: Thank you, Mr. Schermerhorn. Our Chairman has returned so I will turn the chair back to him.

CHAIRMAN WALLACE: No further questions? Carrie, why don't you hang on a minute.

MR. KLEIN: Dick, I think this is an excellent approach to try and break this logjam here on data and current limits. Both, whether in sales or in rentals, in L.A. County, unless they have changed it in the numbers that were just released, for several years the income limits have not increased at 50 percent or 60 percent of median. That is having quite an impact among new people trying to deal with for sale housing as well as rental housing.

Do you understand statistically why that is happening in L.A.? And, is there a way that CHFA, a state entity, when it sees problems of this kind developing, can create kind of a friend of the court approach to HUD and get some relief, get some special attention addressed or do a special study that is then applicable, both in the rental area as well as the sales area in returning some measure of feasibility? I know in the tax credit area there is an ability to do a special study for designating, I think, high-cost areas. If you could address that that would be helpful.

MR. SCHERMERHORN: Okay. I can't speak with great authority about your first question other than that any answer I have ever gotten to that particular question is, because of the size of Los Angeles County and the various economic markets that it encompasses, when HUD draws its data it is drawing from a very large population base and income. And that income base when you take in that whole county tends to be lower than what you see in the immediate western segment of Los Angeles County. Apparently it is being offset by that. Also, the data lags. What has been happening the last few years is those calculations are coming off of income data that lagged by a year or two. So that's what it is.

I am not aware that we have any authority to do anything with the income limit issue like we do on sales price limits. It has not been -- For our program purposes it has not been an impediment. As an example, we are currently doing over 30 percent of our business in Los Angeles County, which is greater than the prorata population is. So from our program standpoint in affordable housing, it hasn't driven us to have the same concern as we did with the sales price limits and trying to get that resolved.

MR. KLEIN: When you look at the tax credit side it's totally bizarre where the high-cost areas are designated in the state, and the high-cost area designation is a 30 percent differential. So if you look in the Bay Area, for example, they will have areas in Contra Costa County that are clearly very difficult to develop in that they are not getting this 30 percent increase in the tax credit basis.

On the rental side, for our programs, for cities' programs, for counties' programs on a statewide basis there is a special study capacity or authority in the statute, I believe. Maybe Jeanne can comment on this. The reason for bringing this up is I'm wondering, if we have the staff capacity to deal with this issue in single family, could the staff address high-cost area designation problems that would help everybody in the state in a major way. Jeanne, do you know what that process is for designating high-cost areas?

MS. PETERSON: There is a process. I think that it's really not relevant to this particular issue because it's in Section 42 and this is --

MR. KLEIN: No, I'm saying it's a different -- I'm dealing with tax credits at this point in terms of trying to get high-cost areas designated for tax credit purposes.

MS. PETERSON: And you want to know if we can do something about it?

MR. KLEIN: Isn't there a process?

MS. PETERSON: If we should be able to be and that we should be doing something about it? Actually, I'm not prepared to comment on that, Bob.

MR. KLEIN: Okay.
MS. PETERSON: I'm really not sure. As far as I know, the Tax Credit Allocation Committee has not done that in the past.
MR. KLEIN: Well, I'm wondering whether CHFA --
MS. PETERSON: Partly because of the ability of the state credit to be used to supplement areas that aren't designated as high-cost areas. And that, in fact, is what has alleviated on the tax credit side the non-designation as a so-called DVA or QCT, and that is that the state credit simply has supplemented to make up the difference between the 130 and the 100 percent.
MR. XLEIN: Well, if we could revisit this the next Board Meeting. Because now state credits aren't used with bond financed projects. So for bond financed projects throughout the state we will have this issue. I'd like to at least revisit this on the Board agenda for next time to see whether we can address this issue and what the requirements would be. Thanks.
CHAIRMAN WALLACE: Jeanne.
MS. PETERSON: From the Treasurer's Office perspective, obviously we were really interested in the study that had been undertaken.
MR. SCHERMERHORN: Right.
MS. PETERSON: And in whether or not--to use a

legal term of art--we could glom onto it, both at the CDLAC level and at the local issuer level. And it's pretty clear that the regulations do use the word issuer so that became pretty evident right away that CDLAC, which is not an issuer, could not use these higher sales limits.

But, in fact, we are still interested in exploring whether or not the CHFA-developed study limits can be used by local issuers. Because, actually, it might be a benefit to them. Then there are even sort of sub-questions about that as to whether or not they could be used in some of their programs, but not necessarily all of their programs and so on.

So I just wanted to mention that, not only as that it's kind of exciting to have this study done, but to the extent that it can be made available to local issuers. And probably it would depend on the local's bond counsel's opinion as to whether or not it would be good enough. And I think we haven't really ruled out the ability of locals to use it. We can't say there is no legal authority. We really just don't know because they are issuers. And whether or not they can rely on another issuer, namely our, CHFA's, study, I think remains to be seen. But it could, in fact, really be of benefit to local issuers as well.

MR. SCHERMERHOFW: I hope I didn't leave you with the impression that we didn't think that it could happen. If I did, I did not mean to say that.

MS. PETERSON: It sort of sounded like it.

MR. SCHERMERHORN: Oh, I'm sorry, no. What we wanted to do was to get this set up so it would mirror the Treasury Department's safe harbor limit publication. So that we would publish it and then any locality could use it. My understanding is, they certainly have the same authority as an issuer to come up with the information for their jurisdiction.

MS. PETERSON: Right, because they are issuers.

MR. SCHERMERHORN: Yes, that's correct.

MS. PETERSON: But it would be costly for locals to do that.

MR. SCHERMERHORN: But 'what we are trying to do is, as a second position. What I was trying to communicate here is, we will make our information available to them if it will help them, if that's what they want to do to get to a particular point and it helps them mitigate the costs in getting there.

MS. PETERSON: Right. I think that's a side benefit that might help the local issuers.

MR. SCHERMERHORN: Okay.

MS. PETERSON: I did have one question and it's pretty -- it may be irrelevant but -- I noticed also in Inyo County, in addition to the ones that you mentioned. It was an additional aberration, assuming that's not a typo, where the survey limits for new construction are $96,000 and the resale is $145,000.

MR. SCHERMERHORN: Yes, and we went -- You will notice the CHFA limits that we are using are not using the upside down -- I'm sorry, I didn't mention Inyo. You're right, that was another upside down one. We are applying the safe harbor limit on the new construction there, which is that was the lowest level we were at. In the limits we'll publish, it will be $169,000.

MS. PETERSON: Right. Thank you.

MR. SCHERMERHORN: Thank you.

CHAIRMAN WALLACE: Any other questions? Board? Audience? Moving on, the Business Plan, Phase 2.

2000/2001 FIVE-YEAR BUSINESS PLAN

MR. SCHERMERHORN: Well, actually this is a preliminary and it's kind of informal. What I would like to do here today, basically, is share with you, in essence, the direction that we are headed in terms of the program thrusts and the level of activity. And it's not formalized but you will get a formalized plan at the May meeting. The purpose of this is basically for you to get a flavor of -- It is based on the input that you gave us at the last meeting and input that we have started to receive from our client groups and focus meetings and industry folks about where we are at in terms of developing the final plan.

Starting with single family, if my machine wants to warm up and go forward here. Okay. Essentially what the Board, in answer to the question we posed at the last meeting said was, let's stay the course and see how much we can do over the revised Five-Year Business Plan. And that, in effect, is the basis for what we will be proposing.

Our mission is to provide home ownership opportunities to very low, low and moderate income first time home buyers so our objectives in support of that are to provide below market long-term, fixed rate first mortgage loans and to make those loans available throughout the year. That is what our process is all about. And this particular issue, the equitable distribution of loans throughout the state and between new construction and resale.

We had the opportunity to meet with some of the single family industry representatives yesterday, including the realtors and the mortgage bankers and the building industry, and we raised and discussed with them at that point some of the issues that we discussed with you at the last meeting about the changing demographics in the state, the changing profile of the housing stock in the state, and the fact that as the sales prices are going up and the economy is driving higher prices in real estate, the artificial limits in place for affordable housing are making it increasingly difficult for some of these programs to work in some areas, particularly applying to new construction. That coupled with the fact that new construction is not occurring at volume levels that would support the kind of balance that we have had in our activity in the past. However, the new sales price limits we know are going to have some effect.

Right now our reservations are coming in at about 20 percent new construction and 80 percent resale. We shared this information with the industry group, and quite frankly, the builders are quite cognizant of that. They understand that. They have no issue with us at this point, recognizing that our balance is not going to be achieved given the circumstances in the marketplace. They were only interested in the fact that we understood what was happening out there and that we were continuing to look at ways to make new construction financing possible where they could match it up out in the field.

And one of the things that is going to happen is, like the border counties in the North Bay area, Sonoma, Napa and Mendocino, the sales price limits that we are going out with is going to be the difference between not getting new construction loans in and getting a number of new construction loans in. Because there are a number of developments in those areas where their sales price limits have been just over the limits and they will be well under the new ones going out. Our lenders have already apprised us of that.

(Tape 1 was changed to Tape 2.)

So for purposes of our objectives we are still going to strive for an equitable distribution of our loan activity throughout the state. We are a statewide Agency. We are trying to provide an availability throughout the year, throughout the state. And given market conditions, we will strive to keep equitable distribution between resale and new construction but we recognize what as happening in the marketplace and will have to go accordingly.

CHAIRMAN WALLACE: And the builders understand that?

MR. SCHERMERHORN: The builders did not have a problem with that. They understood that that was what was happening. They are looking at the same numbers.

CHAIRMAN WALLACE: Who was there for the builders?

MR. SCHERMERHORN: Bob Rivinius (phonetic).

CHAIRMAN WALLACE: Okay. It's your intention then to keep the same objective, realizing it's going to be damn hard to achieve, as far as the balance between new and resale.

MR. SCHERMERHORN: That is correct. Where we can find opportunities to support affordable housing in new construction around, that's what we're going to keep working at. But the reality is that given the production levels that we're talking about, it is unlikely that we are going to maintain any kind of 50/50 ratio in the near future.

So the plan, basically the numbers as we have got it laid out, if we are going to stay the course, we are going to try and continue at the $1 billion level on an annual basis. There are a couple of major assumptions in here that are not within our control, obviously. The amount of private activity bond allocation the Agency receives is critical to the base support. The condition of the financial markets is critical to us in terms of our capability to leverage. We think that this is definitely achievable next year. It will be increasingly questionable in subsequent years but we are constantly monitoring that and trying to position our resources so that we can keep shooting for that particular production level.

Behind it we're looking at -- Okay. This is what was the subject of the last meeting. The Mortgage Assistance program we're using, that's the CHAP program, down payment assistance for our 100 percent loan program. The Board took the action to take the present plan's $25 million, five-year commitment, that was $5 million a year, and collapse it to two. What we will be proposing in this Business Plan is, basically, forget about the $25 million.

We are looking at our Single Family program and saying, the Agency should be committing about this annual level of Housing Assistance Trust monies for second mortgage down payment assistance in conjunction with our programs. And we think it's very workable because we have shifted the emphasis of the use of this money to statewide low income. Up until the end of the year, this program was not available statewide, we were using it primarily to deal with the under-served areas. But we have been very successful in achieving substantially those objectives using this, we are actually oversupplying Los Angeles County right now. So we shifted to take this particular assistance and apply it statewide to low income.

We are already seeing some drop-off in our reservations of the percentage of second loan supported loan requests coming in. We were at about 50 percent, it has dropped down to about 40 percent. We have got to monitor this for a few more months and see actually what's happening with it all but it would be consistent with -- Excuse me. I'm in the middle of a cold and I've got a real voice problem.

This would be a level that we think would be workable. We also met this week with the self-help industry folks and their input to us was that although there are other things, other kinds of support that are being discussed or being put in place for self-help housing, right now they don't see any significant change to the business for us.

CHAIRMAN WALLACE: Who is in that industry? When you say *self-help* industry *folks.*

MR. SCHERMERHORN: These are nonprofit developers. There's probably a half dozen to nine of them that are really active, and they are the ones that are primarily driving the product that we finance with these developer loans.

CHAIRMAN WALLACE: They are actually organized?

MR. SCHERMERHORN: Yes, they are. They have been estimating over the past few years that we can figure on about $12 million annually in single family takeout loans as a result of their self-help activity. Now, it fluctuates from year-to-year because of the development time on those self-help projects. But they are basically saying they don't see any impact.

The reason is, our program is used primarily for urban self-help projects and rural housing programs are the ones they are using for the rural area of self-help. So when I'm talking about $12 million, I'm not talking about the universe of self-help activity out there. We are filling a gap that is unmet by other self-help resources in the takeout financing and for developer loan purposes. These developer loans feed into and we provide takeout commitments for them on these urban self-help projects. And they don't see any change in that level of activity.

So in total, that's what we are looking at to provide as a formal proposal coming into the next Board

Meeting.

CHAIRMAN WALLACE: Is it realistic for us to hold the gross amount at $1 billion over five years? Maybe that is for you to --

MR. SCHERMERHORN: Well, is it realistic? You get to about Year 3 and it gets "iffy" as to the stability of the assumptions that we are talking about.

CHAIRMAN WALLACE: I can say that about the next 12 months.

MR. SCHERMERHORN: Right. Well, we're a little more comfortable about a year or two right now.

MS. PARKER: Mr. Chairman, I think last year, if you recall, when we submitted the Business Plan to the Board we essentially included a page at the end which essentially talked about the set of assumptions that we were using and they made some assumptions about the amount of private activity bond we were going to get, the market, the interest rate environment, a number of factors. And although we may think that some of the staff have better crystal balls than other people in the industry, there are a number of factors that we can't forecast --

CHAIRMAN WALLACE: Well, and I would expect --

MS. PARKER: -- out five years.

CHAIRMAN WALLACE: I would expect you to have that same set of assumptions recorded in our Business Plan --

MS. PARKER: And we will continue -- We will continue that again. A lot is going to depend on what interest rates are going to be, it's going to depend on what's going to happen with the amount of private activity bond that CDLAC is going to give us, which I think will be impacted by our success in getting bond cap increased in Congress. A number of those things.

CHAIRMAN WALLACE: On the other hand, Terri, some of this is aspirational too. What's one given is, we thought we could do $1 billion and the Governor asked us to do $1 billion.

MS. PARKER: Yes, and we are going to do $1 billion.

MR. SCHERMERHORN: And we're going to do $1 billion.

CHAIRMAN WALLACE: Yes, and we're probably going to do $1 billion. Notwithstanding all you're saying about the inability to predict two, three, five years out, these are somewhat aspirational. I would expect the Governor would say about three years from now, I want $1.2 billion.

MR. SCHERMERHORN: Well, we'll have to look at the circumstances.

MS. PARKER: Right, right, right.

MR. SCHERMERHORN: You will have to review the circumstances at that point in time and agree or not with that.

MS. PARKER: Right, right, right, right. Right. We will have to look at -- You know, as we move to that period and we have more information of what the environment is like, what the opportunities are. He is one voting member of CDLAC from the standpoint of making a pitch for allocation to the Agency. The other things that may or may not impact us is whether there is some change in the out years of the Ten-Year Rule.

CHAIRMAN WALLACE: I guess all I'm saying is, we all know the ability to predict the in, out years are very difficult. On the other hand, I would hope that we are not just satisfied with the status quo.

MS. PARKER: Well, I think that you will continue to see the Business Plan that the staff brings forward has continued to be a very aggressive one from the standpoint of pushing ourselves.

CHAIRMAN WALLACE: Well.

MR. SCHERMERHORN: Quite frankly, I don't consider this the status quo.

MS. PARKER: Right.

MR. SCHERMERHORN: I appreciate that it looks like it on paper, but.

CHAIRMAN WALLACE: I understand.

MR. SCHERMERHORN: I need you to come into the office and help us process a little.

CHAIRMAN WALLACE: No, no, no, no you don't. You know what I'm saying.

MR. SCHERMERHORN: Yes.

CHAIRMAN WALLACE: It looks like for five years we are going to be satisfied by doing $1 billion. And maybe we would, particularly depending on the assumptions in that five years, which you are going to record for us again in the Business Plan.

MR. SCHERMERHORN: Sure.

CHAIRMAN WALLACE: On the other hand, in general, if you looked over the last five years, we all know it has grown, for a variety of reasons and with a variety of assumptions.

MR. SCHERMERHORN: Yes, but we're hitting the ceiling now on that set of assumptions.

CHAIRMAN WALLACE: Yes.

MR. SCHERMERHORN: It's where we're at. And this given, that that fundamental set of assumptions isn't changing right now in the foreseeable future, this is a challenge. Because we are going to start losing our ability to reprogram old allocation.

CHAIRMAN WALLACE: Right.

MR. SCHERMERHORN: Which is going to make it more difficult for us to do the degree of leveraging that we have been doing to get to this $1 billion.

CHAIRMAN WALLACE: Okay, and that's a good rationale. We did talk about that last time.

MS. PARKER: **Also**, it will be a factor of **how** much risk the Agency wants to have as part of our overall financing mechanisms by using variable rate debt. Which in the single family side, and if we want to be moving that into multifamily. If we are not doing a good job of letting you know about a challenge of these numbers we will certainly make it clear when we talk about the Business Plan at our May meeting.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I was thinking that, perhaps, Terri, for some of those members of the Board who are relatively new, they may not have sat through sessions about the Ten Year Rule. Maybe someone could give a précis of that right now on how it impacts our ability to leverage.

MR. SCHERMERHORN: Hey there, Mr. Carlson, your cue.

CHAIRMAN WALLACE: Is there a reason why we left the bank of floodlights out over your head?

MR. SCHERMERHORN: Yes.

MR. MAIO (FROM THE AUDIENCE): It shines on the screen.

MR. CARLSON: I think it's the same reason I moved over here, to avoid his cold. (Laughter).

CHAIRMAN WALLACE: You want us to set you up over here?

MR. CARLSON: That's okay. Just briefly, the Ten Year Rule is a rule that was passed under federal tax law and became effective for bonds issued in 1989 and later. And what it says is that you only have ten years to recycle that authority for those bonds. So bonds we issued in 1989, that opportunity has already passed. Each time we do our debt management, and we are constantly redeeming bonds from prepayments or they are maturing naturally, we can recycle that allocation only for bonds issued from 1989 and later where that ten year date hasn't already appeared. So what this means is over time we will have fewer and fewer opportunities to recycle the prior year allocations.

MS. PARKER: Our expectation is our recycling ability diminishes and probably pretty much ends this Business Plan plus two. So it's 2002/2003.

MR. SCHERMERHORN: Right about here. It starts impacting us really right in here.

MS. PARKER: Right.

MR. CARLSON: Right. And there are other factors that will reduce. When we get prepayments it reduces the amount of recycling of prior authority that we can do.

CHAIRMAN WALLACE: You could argue, then, in the third, fourth and fifth year we would be dropping.

MR. CARLSON: That's true, and that's why we will have to argue --

MS. PARKER: That's why that number is --

MR. SCHERMERHORN: That was the first layout that we did in-house.

MR. CARLSON: Right.

MR. SCHERMERHORN: And we do have a layout that takes us back down to about a $500-600 million level over the five year period. But I think our recommendation after looking at all of that at this point in time, since we don't know for sure where all the conditions will be in Year 3, we'd like to keep the bogey going because we are contributing to our mission by doing that.

MS. PARKER: 2003 is when under current federal law the first increment of bond cap increase will occur. It's not very much, and even that alone won't help make up this difference. But to the extent, again, if bond cap happens in the next federal fiscal year as a result of this legislation, that may make more resources available.

There are a number of states who are very supportive of trying to push this change through the tax committees on the Ten-Year Rule. Virginia is one of the states, major states, leading that fight and there are a number of large states throughout the country. It is on

NCSHA's agenda just below getting bond cap and tax credit increases. We have all given them information on what it would mean, although it is of diminishing impact to us because of other financing mechanisms Ken has used. But certainly going forward it will make a difference.

So, again, we are going to be watching all these things closely. NCSHA staff have had some discussions about this with Ways and Means staff. It is very technical. So they are hoping that depending on what the environment is like it may be something that could be added as an amendment to a tax bill.

CHAIRMAN WALLACE: Well, suffice it to say there is some potential for this number varying both up and down, and a year from now we may change this. Which is why you do a Five-Year Plan.

MR. SCHERMERHORN: An annual, right.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Dick, could we get more penetration into single family in Silicon Valley or the Bay Area if we had more HAT mortgage assistance funds available, potentially to use in a matching program with the manufacturers association or other groups?

MR. SCHERMERHORN: Yes, we've looked at that question. What you are getting into, and what would need to occur based on the numbers that we have been looking at, is essentially a mortgage -- It's down payment assistance. Really mortgage reduction assistance is what you're really talking about. And we're talking about some recognizably significant numbers. $60,000, $50,000 minimally, to be able to impact the sales price of available properties and get the mortgage amount to a reachable level for the income limit qualification. That's really what that's going to be.

That's the kind of a subject *for* discussion, the kind of issue that if we can have a meeting with the folks there; are they contemplating something? We don't have that. We have got a statewide responsibility and we don't have that kind of resource to be meeting that level. I'm talking $15 million and we're stretching it out there and we're doing an average of $4,000 loans here for sleeping seconds on this. This gets to be a big number where you have got such a discrepancy between the sales prices you have seen from the sales price limit survey here and where the income limits are at.

MS. PARKER: Mr. Klein, let me add to what Dick is saying. It's not an original idea and certainly there has been discussion. Assemblywoman Alquist has a bill in the Legislature that is rather sketchy at the moment but it actually calls on CHFA, Debt Limit Allocation Committee and HCD to look at increasing funding, particularly in areas where the median price of a home is not affordable to 70 percent of the county population. So I think that there may be some vehicles in the Legislature. Clearly, we have talked with the author's office in that case to let them know that that would be a funding issue. There may be some targeted legislation to deal with those kinds of really outside the box needs.

MS. NEAL: Mr. Chairman.

CHAIRMAN WALLACE: Pat.

MS. NEAL: Mr. Guardino's organization has a goal of raising $20 million for this type of assistance and I think their number now is at $8 million, in order to operate with other entities as far as providing assistance. Some of is thought Intel could have put up all the money without any problem.

MR. KLEIN: Intel, actually, I believe, has a completely separate budget from that group that is bigger than the budget for that group. So there is potential to, I think, get access to a significantly different block of funds. In addition to the fact that, potentially, with the teachers assistance program, there is a way to piggyback with their program to get additional affordability through those funds, perhaps augmented specifically by Intel.

MS. NEAL: The teachers program, the starting teacher salary in Silicon Valley is $30,000 a year so with one dependant they are eligible for low-income housing.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I think this is where the market forces will eventually take hold and corporations will not have employees or teachers to teach children or whatever. Anecdotically, I know a teacher who is just moving to Southern California for exactly that reason. You know, it takes time but it will ultimately spur that kind of activity. But I think we can encourage it by working, to speed it up, certainly.

CHAIRMAN WALLACE: Okay. Dick.

MR. SCHERMERHORN: Last meeting I shared with you how we were doing this year and I'll just pop it back up again. Mostly because I changed the color so you could see it. We are on target, we are going to make the $1 billion before the end of the year. We have got a couple more months worth of actual intake on it and we're right where our projections were. So we're really looking at now starting to manage our reservations for next year so we have -- As different from this year where we were starting behind the curve on having to get reservations cranked up into the pipeline this year we're going to be starting at the level that we want it at 80 we'll have a projected, even flow of activity going forward.

I thought you might just be interested in where our current interest rates are at right now, and to show you that we plan on continuing with the split rate program on the street in the next Business Plan, the revised Business Plan, using a moderate and low income interest rate.

We have made one adjustment from the last time you looked at this. We have widened the spread in interest rate between low income and moderate income to 75 basis points so that our statewide low income interest rate right now, this is the benchmark rate that we use, is 7.25. It is more than 100 basis points below the Fannie Mae index number that we use but it is one that is workable for us at this point and is producing the level of activity that we are looking for right now. So for the time being we are holding that.

And then, of course, the matrix plays out where we have our preference rates and the rate differential that we apply to the high cost areas for moderate and low income. And you have got a copy of that in the package so you have got the current interest rate structure that we're using.

This takes us on to Multifamily. A good discussion at the last meeting gave us an excellent basis to go back and step back from what we were doing and rethink how we are coming at multifamily. Sometimes we do get a little too close to the trees and forget about the forest. Went back and took a look at -- If I had to restate the mission again this is how I would restate the mission for multifamily: We want to maximize the public purpose benefit in rental housing for very low, low and moderate income individuals and families. That is what we are trying to do with our multifamily activity.

The objectives to support that particular mission involve our offering a long term below-market rate fixed rate product to achieve the maximum affordability for the longest period of time. We consider that very consistent with the mission statement. We want to facilitate the preservation of affordable rental housing and we want to try and address unmet needs within the context of what resources we have to work with. When we stepped back and took a look at that then one of the things we then looked at was, what is it that we are doing with our program activity and how should we really be looking at that in this context, if you buy off on this particular approach and say yes, that's where we're going.

What I did was I regrouped and rethought, what we are doing and what we have, and basically I'll just pop them right up here. We have a retail function. That's what you see the most of right now. We are direct lender. That's retail lending. We deal directly with for-profits, nonprofits and public agencies and we're making direct loans, taking the credit risk, trying to achieve the public purpose. We propose to continue that.

There is another area that we have been contemplating for awhile but haven't really had a chance to get our arms around it until actually the last discussion when the pieces started to fall into place. We have done things like conduit finances and we have looked at, is there a role, a secondary market role, legitimately that the Agency might play in the multifamily arena? Haven't fully fleshed all of that out yet, that's going to be an evolving game plan. But we do have some thoughts around that and it's something that we're working on and I have something to discuss in more detail when we get to the next part of this.

And then we looked at, okay, we have the HAT Program, if you will. Housing Assistance Trust Funds. And in both the retail category and the KAT category to date we have been trying to do everything in these categories. And one of the things we realized was, we're constraining our thinking by doing it that way. What we should be doing is, if we're a retail lender then what we're really trying to do in the game plan is we want to do retail loans. And if it takes tax-exempt or taxable financing or layered or leveraged or however we get there, the objective is to produce retail loans. Affordable housing done by retail loans.

Now, in building up the number projection -- What I'm talking about here to get started, this is an incremental step up. We are not going to be close to $200 million this year but we're talking about pushing that number out there for next year. Two reasons for that. One, we see interest rates getting more difficult in the conventional market for affordable housing projects to pencil, and the usual process that follows is we get increased interest in our below market rate.

The second reason is, we're currently on the street with a 6.2, 30—year fixed rate. My good colleague over here has been sharpening his pencils because what we are trying to do is lower that. We want to offer a lower fixed rate, long term product on the street to take advantage of the conditions out there and increase the ability to produce more affordable housing. And I'm talking about trying to get below a 6 percent interest rate for a multifamily product, be it new construction, be it acquisition rehab, however we can get there.

So then I took a look at HAT loans in the same context. We have got all these categories that we built up over time that we were putting into this and what was happening is we started -- Like last year. We had $15 million set aside for standby operating subsidies on projects to do the transition. Well, the market changed. The character of the deals coming in have increasing capability to internally produce their own, or substantively their own, operating subsidies for downstream purposes. We don't need to make those kinds of commitments.

So we looked at the laundry list of things that we're doing and said, what we ought to do is have a basic pool of funds for purposes which we will articulate. This project may need standby operating reserves; this project may need a tax credit bridge loan, this project may need no gap financing. Whatever it is, if it qualifies as a legitimate loan for a project that we're going through and can be handled in the HAT loan process that's how we should be looking at our transactions. Because this loan product should be supporting our retail loan activity.

Okay, wholesale. For starters, we have begun the discussions with Fannie Mae. We have got to get a formal proposal but the time frame is we're going to need to do this, hopefully at the May Board Meeting, possibly as late as the July meeting. Fannie Mae has a 309 project inventory of Section 236 projects in California. They are willing to sell :hose mortgages to the State Housing Agency, or so they say.

We have gotten a list of the projects but we ıaven't entered formally into the confidentiality agreement vith Fannie Mae yet so we don't have all the financial lumbers, but we'll just do an estimate. If you assume that the ıverage outstanding mortgage balance is about $2 million on a 100 project inventory you're talking about at least $600 nillion worth of purchase of loans.

Why would we do this? Two reasons. One is, those projects currently have affordability restrictions and we think one of the reasons that Fannie Mae is interested in making these available is they really don't want to expend the resources to monitor those affordability regulatory agreements. That's something that we can do, it's built into our process.

And secondly, and most importantly, these loans are prepayable or will be paying off their mortgages over the next ten years. It's an opportunity for us, by getting the mortgages in-house, to deal directly with the current owners and offer an attractive refinancing program to try and convert these into further, long term affordable housing resources. And it will be easiest for us to do it that way because we will already be in monitoring position on these projects.

This is a short term one because Fannie wants to make the transaction completed by August of this year. We will get all the information together, we will figure out whether or not this makes economic sense to do it and we will bring it all to the Board. But that's the basic game plan for that particular effort. And I'm putting it in because in my mind it kind of meets this, quote, wholesale concept that we're starting to explore as a legitimate role for the Agency to play out on the street.

So that would be what the multifamily game plan would kind of look like and the numbers coming up. We've got a big, one shot thing next year but in subsequent years it may result in more business activity. You look like you've got a question.

CHAIRMAN WALLACE: In subsequent years buy the ones in Hawaii from Fannie Mae. (Laughter).

MS. BORNSTEIN: Absolutely.

MR. KLEIN: Now that is a legislative problem.

MR. SCHERMERHORN: Gee, you and I are working on the same agenda, aren't we?

CHAIRMAN WALLACE: That's thinking outside the box.

MS. PARKER: We would need, definitely need a statutory change for that, Clark.

CHAIRMAN WALLACE: Oh?

MR. SCHERMERHORN: From my Kauai office? Right, you've got it. Okay, just so I can close this up --

CHAIRMAN WALLACE: It's a great idea. I've discussed it a little bit with Terri and Dick, but I think that's great thinking.

MR. KLEIN: I'd just like to say, that kind of creativity is really tremendous because it positions the Agency to expand its role in multifamily. It's a great strategy. Even if it doesn't work it was a great idea and the staff deserves a tremendous compliment for that.

MR. SCHERMERHORN: Well, we thank you all for setting the stage for us to really get our arms around that.

MS. PARKER: We came back after the last Board Meeting and we -- actually a couple of days -- and it was very cathartic. At the time it was almost like we would lock the doors, said we couldn't have food and water until we sort of went through this. But when we came out with this as really our mission and our objective I think it was like a fog had cleared. We all feel really good about this as a way to explain what we're doing. We think it's clear and in that sense it moves us right into actually the work. You can hear Dick's enthusiasm. We are all very enthusiastic about this.

We hope to come back and report -- I know that Fannie has expressed interest. Angelo at our last meeting said that there is a segment in Fannie that is really interested in trying to do some work with the State Housing Finance Agency and we're going to try to be as aggressive as we possibly can.

MR. **SCHERMERHORN:** Okay. And finally we have what we're identifying as our specialty programs. And I'm only touching on the ones that involve CHFA resources right now, at this meeting I won't get into the School Fee Rebate Program. The contract activity that we're doing on down payment and that we may be doing.

But for what we are doing on budget here there's the **HELP** Program, which in its original presentation would be finishing up its fifth year right here. We are having great success with this program, we are going to recommend that the Agency continue at this particular level for at least one more year. We want to get this third year under our belt and then take a look at what else we are doing to ascertain if there is more that we should or could consider in here.

But for the time being, we go out twice a year with about $10 million--we split the pot in half and go out for the localities--and we're getting about two-for-one requests for funds on each time that we go out. Some of the projects get scaled back because of a variety of factors. Our staff Seals directly with them. The localities absolutely understand that, they have no problem with it. Those that we haven't recognized have been very good about it and in a number of instances have worked with our staff, came back in with a subsequent application which we then approved because it did meet the program objectives at that point. So we're having a lot of success with this one.

Small Business, a maintenance of effort. These are developer loans compensating balance to help new entrepreneurs get into the affordable housing arena. And with that, that's kind of the picture that we're looking at to flesh out in detail, have a full package for you. If there's any additional questions or input that you would like to make, we certainly would appreciate it.

MS. NEAL: Mr. Chairman.

D

CHAIRMAN WALLACE: Yes, Pat.

MS. NEAL: I wanted to ask about the Small Business. Are you looking at minority subcontractors?

MR. SCHERMERHORN: If they are eligible. Our program is targeted in terms of their level of activity, there is an annual dollar volume. If they are involvedin activity beyond a certain dollar level then they are no longer qualified for this. It tends to be either women or minority applicants that we get for this particular program because those tend to be the ones that are doing the small business entrepreneurial activity in some of the developing areas or urban areas.

MS. NEAL: Where are they getting their insurance? Which I would assume you would have those requirements that they would need to have insurance.

MR. SCHERMERHORN: No, because these are developer -- The insurance for their --

MS. NEAL: Liability.

MR. SCHERMERHORN: Their activity. That's an issue that, from our standpoint, we don't trigger that. The construction lender is concerned with it, not us. We do a compensating balance program, to induce a lending institution to make a construction loan to a small developer. So our money goes to the lending institution and the principal is protected, it comes back to us.

MS. NEAL: That isn't where I'm running into the problem. The input I've had from a few of the big developers is they would like to hire more minority subcontractors but because of construction defects they require that they have specific liability insurance and these small, small subs cannot get it because they have no history. It's a Catch-22. So they can't get the insurance because there is no claims history, and of course they don't have the deep pocket credit line. Which then creates a problem for a couple of the big developers who are more than happy to hire them if they could get over that hurdle.

MR. SCHERMERHORN: Yes. This is not a relevant program in terms of that.

MS. NEAL: Okay. That's what I was trying to find out.

MR. SCHERMERHORN: Right, okay.

MS. NEAL: It might be one you want to explore if your authority would allow you to.

MS. PETERSON: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Jeanne.

MS. PETERSON: I would like to second that. I think that's a really good idea to try to explore that. We did do something like that in Michigan for small businesses. It was a real need and it's a wonderful thing to be able to provide it.

I'd also like to comment that I think the draft Business Plan stuff is really exciting and that staff should be commended on it. I think that the increase in the down payment assistance program is a really important one and that probably at some point in the future the -- I was listening to Bob and Dick talk about the Silicon Valley and things like that.

It strikes me that the real sort of policy question is whether or not programs like that should be statewide as they have come to be or if they, with a limited resource, need to be more targeted to specific areas. And if so, what the areas would be, if it's high cost areas or great need areas and so on. So that could certainly form the basis for ongoing conversations going forward. But I think the dedication of greater resources to that program is definitely going to be of benefit to more people in California and that's a very wonderful thing.

I'm also excited on the multifamily side to hear that we're thinking about--and more than thinking--but trying to get to a product that will be at 6 percent or below as an interest rate. And obviously that's going to take some additional resources of our Agency and/or some assumptions of additional risk that I'm sure are being factored in here but may not sort of show up. They don't pop out at you but I think that's a really also worthwhile thing.

I just have one, and it's a little bit specific and so maybe I shouldn't be asking you now, but one question about all of this. And that is: Where in here, if at all, do multifamily programs for special needs populations fall? Is that somewhere in that $200 million?

MR. SCHERMERHORN: Well, in the objectives we're trying to address unmet needs. Special Needs is an example of a program activity that we have developed because it was an unmet financing need. Now, there are other unmet financing needs out there but we are continuing Special Needs. In the full presentation at the May Board Meeting we will be identifying those specific areas of program activity about what we think will be done and how much we're committing to it. It is included in these assumptions, yes. In the $200 million worth of retail business? Okay.

MS. PETERSON: It's in there?

MR. SCHERMERHORN: It's in there. And in the HAT Funds we've got HAT Funds that go to support the subsidy financing on there. We'll have that detail broken out.

MS. PETERSON: Good.

MR. SCHERMERHORN: In this session I just wanted to kind of cover the concept of how we're coming at that Business Plan and what basic ballpark numbers we're looking at.

MS. PETERSON: Certainly, I appreciate that. And I just wanted to say that I figured that it was in that $200 million somewhere and that it was -- Obviously, it's sort of a niche program but it's something that certainly in the Treasurer's Office we have a great interest in and are going to be looking at the resources that we have available and that are available in different places and that may be made available, even by the Legislature for meeting the unmet needs of California's special populations.

MR. SCHERMERHORN: As another example, we've been working with folks trying--because we know from experience that we need it--trying to identify a credible, ongoing source of operating funding support for assisted living projects. We have done them, but we know from our own experience in doing them that you have to have that third-party money in the transactions if you're going to maintain affordability in that kind of a product. So it's, quote, an unmet need: that if we can end up finding the right combination of resources to go together for that, we'd love to finance them.

MS. PETERSON: Thank you.

MS. PARKER: Mr. Chairman, I won't touch on this but there are two reports in your binders, one is Ken's financing one, the other one is Di's initial report on legislation. I don't remember whether it's in there or not but there is another bill that is moving through the

Legislature by Assemblywoman Dion Aroner that touches on Dick's point of assisted living and looking to whether or not there may be a pilot program through the health and welfare area. So we will again be tracking all this. Di did the report prior to all the bills that are currently -- But she will be continuing to update and these are the kind of bills that we will be tracking for you and providing you with information.

CHAIRMAN WALLACE: It was a heavy February for bill introduction. No wonder we're a tad behind. Yes.

MR. TAYLOR (FROM THE AUDIENCE): It's hard to get involved in something --

CHAIRMAN WALLACE: Tell us who you are and/or who you represent.

MR. TAYLOR (FROM THE AUDIENCE): My name is Bill Taylor and I work with a homeless agency in the Bay Area. It's hard to come in the middle of a process and to offer comments, however, on the multifamily thing, I assume it will be broken down between special needs populations: elderly-only housing; mixed family housing, you know, with the elderly and families; and then multifamilies with individuals. I think it needs to be broken down a lot more clearly. Because it has been my perception, I've been reading articles, that there seems to be a lot of senior-only housing getting built. and it's a misnomer to throw it all together when they are separate sort of things and call it multifamily.

CHAIRMAN WALLACE: Well, Bill, this is kind of the broad overview. In our prior meeting in January we had a give and take session with the Board. And if you come back, and I hope you do in May, you are going to see an elaborate breakdown. This is really a very brief synopsis kind of consolidating some of the thinking that we engaged in in January.

MR. TAYLOR (FROM THE AUDIENCE): And the other thing, it's more biased towards single family.

CHAIRMAN WALLACE: Well, there are some reasons for that, Bill. In fact, if you will leave your card with Dick we will make sure you get a copy of the Business Plan that we arguably will adopt in May. Hopefully you can come back and critique it then. At any rate, thank you for your comments. Any further response, Dick?

MR. SCHERMERHORN: No, that's fine.

CHAIRMAN WALLACE: You applaud what I said?

MR. SCHERMERHORN: One hundred percent support.

CHAIRMAN WALLACE: Okay. Any other comments from the Board or the audience on the Business Plan? If not, stay tuned, we'll be back in May.

OTHER BOARD MATTERS

Item 7 on the agenda is Other Board Matters that were not on the agenda. Anybody on the Board have any suggestions or items? Or from the audience? Realizing we can't take action but we are always at the ready. Anyone?

MS. PARKER: Mr. Chairman, I'm going to hand out just one document, I should have left it at your places. This is an amendment, an additional page we had printed up as an amendment to the Business Plan which lists all of you and your organizations that you are representing and our meeting schedule for 2000. We did a great Annual Report this year but we omitted some of the companies that you all are representing, or organizations, and we wanted to have this as an addition. These have just been printed within the last month and I wanted to give you all a copy of them.

CHAIRMAN WALLACE: It's nicely done, except I think I'm going to change organizations. At any rate, it's very nicely done.

MS. PARKER: As the document reflects, our next meeting is in Southern California in Burbank on May 11th.

PUBLIC TESTIMONY

CHAIRMAN WALLACE: Okay, on Item 8, Public Testimony. Anybody? Yes, Bill.

MR. TAYLOR (FROM THE AUDIENCE): I'll come up a little bit more.

CHAIRMAN WALLACE: Sure.

MR. TAYLOR: Anyway, I'll wear another hat. Thank you. Excuse me a minute. Once again, my name is Bill Taylor, I'm a member of University Avenue Cooperative Homes in Berkeley in which CHFA holds the mortgage. I may be a little nervous. I may --

CHAIRMAN WALLACE: Give me the name again. University Avenue --

MR. TAYLOR: Avenue Cooperative Homes in Berkeley. I may ramble on. I do have a few comments, insights, to offer CHFA. I thought it was very interesting, the discussion earlier about Rancho Verde, and sort of using the corporate model of power to influence decisions that are made on a sort of a grass roots level. I think CHFA does lack that capability. You know, it's fairly obvious from the discussion here.

I think even with our small project we have had difficulty with CHFA staff. Who does CHFA represent? Who are the stakeholders that they are involved with? Is it only the developers, the architects, the contractors that come before here to get those deals? Is it the little people that they deal with? Where do they fit in? I think it's important to have two-way communication between the Agency and the tenants, the residents, the members.

As a leased housing cooperative there are difficulties. I even mentioned at a national organization, CHFA, and I said, oh, we have problems with them. Somebody raised their hand, we have the same problems too. I think, you know, we have had, like, some minor incidences, you know, with CHFA where they don't communicate.

One is, we're a pre-tax syndicated property. It was financed at 11 percent back in the early 80's. I think around in the early 90's it was refinanced with the tax indicators. However, CHFA never informed the Board of Directors which has the daily oversight of what was going on. We just find out about it after the fact. Recently, another --

CHAIRMAN WALLACE: Excuse me. You found out after the fact that you'd been --

MR. TAYLOR: Refinanced.

CHAIRMAN WALLACE: -- refinanced?

MR. TAYLOR: Right.

CHAIRMAN WALLACE: Your Board didn't know that?

MR. TAYLOR: They did not know that, that's right. Another thing was more recently. I think there are other sorts of incidences where you have -- in a leased housing co-op the Board has oversight responsibility of a management company. But at times the management company does its own little thing with whoever it wants to deal with.

An example of this -- and where the management company is sort of in a conflict of interest, there is a process of approving the budget. It first must come from the

Board itself. When the Board looks at that budget, all the expenditures should be there. Then it goes to the general managing partner for its approval; then it goes to the Agency. Recently, the management company put a fee increase. It went to the general managing partner and then it was approved by the Agency. The UACH Board was not involved as a legal entity in that process.

There is sort of a perception out there, and it has been quoted, that CHFA staff hates to deal with Boards of Directors. They don't like to deal with grass roots democracy. And I think some of those incidents that I referred to area reflection of that. There have been things that have built up over the years. What is our vision? We wanted to get rid of the tax indicators, it is not helpful. We wanted to be able to have control over the property. Is ZHFA amenable to that? Hard to tell. Will they provide technical support? Very difficult to say.

To sort of open this dialogue, several weeks ago I placed a call into Theresa Parker's office inviting her to come to our annual meeting. I think that's sort of a first step. Unfortunately, I found out that you're unavailable. It's March 19th at 3 p.m. It's on a Sunday and I understand you're supposed to be back east. That's what I was told.

It would be helpful to have somebody from the agency to come to be on more friendly terms, to see how we handle ourselves, and then we could work towards changing the history that we have been under. Thank you.

CHAIRMAN WALLACE: Hang on a minute, don't go away. Any questions? Terri, you are in the east on the 19th.

MS. PARKER: Yes. Mr. Taylor, I think my office informed you I'm back east during that time. I had thought during the conversation between my folks that it had been offered to have someone else attend but it wasn't clear to me or conveyed that the request was made for me and I didn't get any more communication other than that.

MR. TAYLOR: Yes, I received a call from Dick's office that said nobody can attend. But, you know, it's sort of understandable because, you know, when you're talking about a month away, you know, sometimes people's calendars are several months away. But I'd like to extend that offer to maybe, you know, in the year 2001. But I think, you know, we have --

In a footnote, we do have an outstanding issue, as to how our members' money was utilized in the construction of the project and we have a recent audit that refers to that. And I think, *you* know, it provides us with an opening to discuss a lot of things that have happened over the years.

MS. PARKER: Mr. Taylor, at least in the short term, I would be happy if you could send me a letter of some of these things and we could -- I would be happy to have the staff respond in writing and obviously share that with all the Board members. You raise a number of points, I would like to have the staff go through them.

MR. TAYLOR: Yes. The other thing, I do have a handout here. Recently there was an article in the ***Oakland Tribune*** of January 12th where it starts, *Tenants* ***Guarded About*** Housing ***Purchase,*** and CHFA played a major role. I don't know, you know. The problem about looking at the press, you don't know if they cover all the details. What would be of interest is how did the CHFA itself as an entity work face-to-face with the tenants at this development? The tenants do have concerns, you know, in the transition -- with respect to the transitional issues. I'll distribute this material out to you. It also gives you a little bit of history about UACH.

MS. NEAL: Mr. Chairman.

MR. TAYLOR: You know, it's, you know. I appreciate the opportunity to come before you. It takes quite an effort and quite an expense to, you know, come here, and we don't, **you** know. It's just the way things work and we try to **work** the best we can.

CHAIRMAN **WALLACE:** Bill, you're **a** member of the tenant Board?

MR. TAYLOR: No, I'm not a member of the Board. I have been a member of the Board. Right now I do provide limited staff support, getting out minutes and that sort of thing. And I had talked to the Board president and said, well, CHFA is meeting here and blah-blah-blah.

CHAIRMAN WALLACE: Who **owns** the property?

MS. PARKER: The property is owned by, basically, a partnership in which there is a tax indicator with **a** general managing partner of a local nonprofit.

CHAIRMAN WALLACE: But you're representing the Cooperative Homes --

MR. TAYLOR: Right, University Avenue Cooperative Homes.

CHAIRMAN WALLACE: University Avenue Cooperative Homes. Which is the tenant Board?

MR. TAYLOR: Yes, right.

CHAIRMAN WALLACE: Okay.

MR. TAYLOR: Well, we're basically a leased housing cooperative set up under state law as a public benefit corporation.

CHAIRMAN WALLACE: Okay. I think what Terri has just suggested would be very helpful. If you would write us a letter or have whomever, an officer of the Board write us a letter, and enumerate some of the concerns that you have and let us check it out. I think it would be far more productive than us just having someone show up at a Board Meeting with virtually no background whatever --

MR. TAYLOR: Well, I think that --

CHAIRMAN WALLACE: -- other than what you have told us here.

MR. TAYLOR: Yes. I think what 1 was giving was sort of a background of the history. What is important, you know, CHFA needs to have a human face out in the field and I think the earlier discussion really raised that. And I think with us it would be helpful, you know, for that. I remember when they had a San Francisco office, it was a lot more easier for that.

CHAIRMAN WALLACE: I understand.

MR. TAYLOR: Anyway.

CHAIRMAN WALLACE: But we would really appreciate it if you would write us a letter, or someone would, and give us a little chance to investigate it.

MR. TAYLOR: Yes, right.

CHAIRMAN WALLACE: What your concerns are and the background of the loan that was, apparently you say, placed in the 80's and refinanced without your tenants' Board approval in the 90's. So it would be helpful for us --

MR. TAYLOR: Yes, right.

CHAIRMAN WALLACE: -- in trying to understand the problem and what we can do to put a face on CHFA.

MR. TAYLOR: I just don't use that, you know, as sort of just a little bit of commentary. But it's not so much dwelling on the history but opening ourselves up for this communication and to deal with the vision of actually having the housing cooperative have ownership rather than being a leased entity. That makes the power relations a little bit more complex.

CHAIRMAN WALLACE: Okay. Well, I'm starting to get a little better understanding.

MR. TAYLOR: Right. That's the bottom line.

CHAIRMAN WALLACE: You've just scratched the surface. And whether we can help or not, it depends, and so give us a little more information and we'll try and do so. Pat, do you still have a question?

MS. NEAL: No, you asked the two questions I wanted to have answered.

CHAIRMAN WALLACE: Sorry about that.

MS. NEAL: It's quite all right.

CHAIRMAN WALLACE: I've never done that to you before.

MS. NEAL: No, you haven't. Don't practice.

CHAIRMAN WALLACE: Who else? Okay, Bill, thanks for coming.

MR. TAYLOR: Who should I address it to?

CHAIRMAN WALLACE: Terri.

MR. TAYLOR: Okay.

CHAIRMAN WALLACE: Theresa Parker.

MR. TAYLOR: Okay, thank you.

CHAIRMAN WALLACE: Okay. *Any* other items under public discussion? Item 8. Hearing none we --

I'd like to adjourn with a thought in behalf of Lloyd Boland who was a part of Bill's operation down there--with condolences to the family, which I'm sure you will do, Paula was a good friend--and announce that our next meeting is May 11th at the Burbank Hilton. We are adjourned, thank you very much.

(The meeting was adjourned at 12:05 p.m.)

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CERTIFICATION AND

DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed two (2) tapes in number and this covers a total of pages 1 through 99, and which recording was duly recorded at Sacramento, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 9th day of March, 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 25th day of March, 2000, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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Executive Summary

Date: 24-Apr-00

Project Profile:

Project :	Lassen Apts	*Borrower:*	TBD
Location:	441 Ellis St	*GP:*	Asian, Inc.
City:	San Francisco	*LP:*	A.F. Evans Co.
County:	San Francisco	*Program:*	Tax Exempt
Type:	Senior	*CHFA # :*	00-005-N

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$4,460,000	555,062
CDBG	$693,000	$8,556
Other Loans	$0	S0
Other Loans	S0	S0
AHP Funds	S0	S0
Borrowers Cash Contribution	S0	S0
Deferred Developer Equity	S0	S0
Tax Credit Equity	$1,767,785	$21,825
CHFA Bridge	S0	S0
CHFA HAT	S0	S0

Loan to Value
66.6%

Loan to Cost
64.4%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	371	7	50%	$642	$26.200
1 BR	517	10	50%	$686	$29.950
0 BR	371	26	60%	$773	$31.440
1 BR	517	37	60%	$799	$35.940
1 BR	517	1	Manager	$799	N/A
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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Lassen Apartments
CHFA Ln. # 00-005-N

SUMMARY: This is a Final Commitment request for a first mortgage in the amount of $4,460,000 amortized over thirty years. The project is Lassen Apartments , an 81-unit, senior, acquisition/rehabilitation preservation project located at 441 Ellis Street, San Francisco, San Francisco County.

LOAN TERMS:

1st Mortgage Amount:	$4,460,000
Interest Rate:	**6.20%**
Term:	**30 year fixed, fully amortized**
Financing:	**Tax-exempt**

LOCALITY INVOLVEMENT:

Lender	Loan Amount	Repayment Terms	Term	Rate
CDBG	$693,000	residual receipts, simple interest	30	1.00%

There is an existing $693,000 CDBG loan originally made to Asian, Inc. by the City of San Francisco Mayor's Office of Community Development. The loan will be "rolled over" from the previous owner to the new owning entity and the terms remain the same.

FINANCING:

CHFA will provide acquisition financing and the rehabilitation work will be completed using equity financing. The amount of the rehabilitation work will be withheld and placed in a hold back account. Once the rehabilitation work is complete, the hold back account will be released.

SECTION 8 CONVERSION

Current Status. The project is an existing HUD 221(d)(4), 100% based Section 8 project with Section 8 terminating in 2003. Seniors (over 62 years of age) and some handicapped tenants who are self-sufficient occupy the apartments.

Conversion Scenario. If the project-based contract is not renewed after 2003, the residents would be likely to remain a mix of Section 8 and LMTC tenants for several years (or longer), depending on the rate of turnover. The scenario used in this analysis assumes a gradual turnover of units once the project based Section 8 contract expires in 2003. That turnover is expected to be gradual due to the combined effects of the following factors:

- Based on interviews with property owners/managers over the past 12 months many owners of market rate senior projects in San Francisco County are no longer accepting Section 8 certificates. The Housing Authority suggests that landlord acceptance of Section 8 certificates in general occupancy projects has also dropped significantly since improving market conditions have allowed landlords to increase street rents.
- All existing LMTC senior apartment units in the primary market area are 100% occupied. typically with waiting lists. The opportunity for existing Lassen Apartment tenants to move out to other affordable senior projects is low,
- Mobility rates of senior renters are low, as evidenced by the much lower turnover rate in senior apartment projects relative to general occupancy projects.
- In the event 30% of the project's existing tenant base were, in fact, to move out (after receiving portable Section 8 certificates), it is estimated that rent-up at the new proposed tax credit rent would occur within three months. This translates to an average absorption of eight units per month.
- The project's residual receipts will provide a $450,000 Transition Operating Reserve to cover any operating shortfalls and any earthquake related property repairs should that become necessary.

PROJECT DESCRIPTION:

A. Site Design

The project is zoned RC-4, or high density residential. This zoning provides for a mixture of high-density dwellings with supporting commercial uses on the ground floor. The density for the site is equal to 1 unit per 200 square feet. Based on the project's lot size of 11,344, the maximum number of units allowed would be 56. Since the project was constructed in 1915, prior to current zoning regulations, it is considered to be a legal non-conforming use.

B. Project Description

The project is a six-story, 81-unit apartment originally constructed of unreinforced masonry construction. The building was constructed in 1915 and renovated and seismically reinforced in 198211983. It is listed on the San Francisco Planning Department's survey of architecturally significant buildings. This designation requires board approval before any structural changes may be made.

The building contains 33 studio apartments (approximately 371 square feet) and 48 one-bedroom apartment units (approximately 517 square feet). Ten, one-bedroom units are handicapped equipped. The ground floor contains eleven (11) apartment units, a residential lobby area, a manager's office with direct access to the manager's apartment unit and a community room. The upper floors contain fourteen (14) apartment units per floor. There are two elevators located in the lobby area of the building that provide access to the upper floors and the basement. The main stairwell provides access to all floors from the entry area, and there is a secondary stairwell in the rear of the building.

The building has a sprinkler system and there is a trash chute located on each floor. The units are serviced by a central heating system and there is no air conditioning, which is common for the area.

Additional amenities include a medic-phone in the bathroom that connects the tenants with the manager in case of an emergency. A coin-operated laundry room is in the basement of the building with two washing machines and two dryers. There is also tenant storage space in the basement as well as the mechanical rooms. The building is security locked. There are three courtyards in the rear and side of the building. No on-site parking is available.

C. Rehabilitation Work and Improvements

A major rehabilitation was done to the project in 198211983. The estimated cost of rehabilitation to be completed in 2000 is $607,500, or $7,500 per unit. An additional $490,300 is expected to be expended over the remaining life of the loan. The immediate health and safety issues are twofold: the rehabilitation necessary to bring the common area in compliance with Title III of the Americans with Disabilities Act and excess lead-based paint levels on most window sills. Lever action hardware will be added at all common area accessible locations and visual alarms will be added to existing audible fire alarms. The sponsor is evaluating the best way to encapsulate the lead on the windowsills and is preparing an O&M report for ongoing management of the problem.

The primary focus of the rehabilitation will be the kitchens in the apartments. Currently, the kitchens include a small refrigerator, range, and sink, all of which are contained in a single cabinet system. This system makes replacement of the appliances and servicing of the cabinets very difficult and very expensive.

Exterior rehabilitation will include repair, tuck-point and sealing the brick on the building exterior; and scraping, priming and painting the exterior fire escapes to eliminate rust; sanding, scraping, caulking and painting the windows.

Depending on the development budget, other interior and exterior improvements will be completed immediately or may be included in the rehabilitation budget over the next several years. These additional improvements include enhancements to the entry lobby, community lounge and the management office. A room off the community lounge will be converted into a small computer center with two terminals. The three outdoor sitting areas within the site will be improved so that they will be more attractive places for the residents to enjoy the outdoors. Light fixtures will be replaced throughout the project and security cameras will be added to provide better surveillance of the property.

D. Relocation",

Initial conversations between the sponsor and the contractor indicate the lead encapsulation will be preformed with little displacement of the existing tenants. Since minimal relocation is expected, $25,000 has been set aside to cover the miscellaneous costs of any minor disruption to the tenants.

E. Project Location

The site is a rectangular parcel located between Jones and Leavenworth Street on the south side of the street in the southern portion of the Tenderloin neighborhood of San Francisco. The project is located in the Tenderloin area of San Francisco in a transitional area that has experienced significant improvements in recent years. To the east of the project is a residential structure called the ArtMar Hotel.

The Tenderloin District is situated in the southwest section of downtown San Francisco. adjacent and west of the Civic Center District, southwest of the Union Square retail area and three blocks southeast of the Polk Street retail district. The primary market area ("PMA") for the project and the heart of the Tenderloin District is bounded by Golden Gate Avenue to the south, O'Farrell Street to the north, Polk Street to the uest and Mason Street to the east.

The Tenderloin District is primarily a residential area that contains many low income and transient residential hotels, numerous adult facilities and apartment buildings. The area has stabilized slightly over the past decade and more families have moved into the neighborhood. As a result, there has been an influx of neighborhood service retail establishments, like restaurants. Improvements to the area continue with the construction and renovation of subsidized housing projects.

MARKET:

A. Market Overview

San Francisco is the geographic center of a major metropolitan area consisting of nine counties surrounding San Francisco Bay. The Bay Area is the fourth largest metropolitan center in the United States with a population exceeding 5.7 million. The population within San Francisco proper was approximately 790,500 as of January 1, 1999, an increase of 1% from the previous year. Population levels are expected to remain stable through 2005.

The principal economic activities include finance, high technology, manufacturing and transportation. Job growth has expanded since 1995 and total jobs for 2000 are estimated to be 628,860. Unemployment in San Francisco was reported at 1.8% as of December 1999 and the median household income was $68,600, a 15.1% increase from the 1995 estimated amount of $59,600.

The housing market in San Francisco has been one of the most expensive markets in the country. High demand and a shortage of buildable lots have kept prices at roughly two times the national average. Rental rates increased dramatically in the last year. Most apartment complexes report anywhere from 6 to 40 percent increases in monthly rent levels over the past year. The vacancy rate is considered to be nonexistent, with most units occupied immediately upon turnover of the unit. The presence of rent control limits the upside potential of many in-place rents, as they may only be increased by 1-2% per year until they become vacant.

Housing starts have also increased, from a low of 1,077 in 1990, to 3.067 through October, 1999 for single-family and multi-family construction.

B. Market Demand

The number of elderly in the United States is growing at a rate twice as fast as that of the overall population. According to the California Department of Aging, there were a projected 4,969,882 people over the age of 60 residing in California. Of that number, 145,144 (3%) were in San Francisco. Rental rates in the PMA have increased by 6 to 10%. Rents for a studio apartment range between $850-$1,200 per month. Rents for one-bedroom units range from $1,000 to $ 1,700 per month.

The demand for living facilities for the elderly is expected to continue to grow, as evidenced by the demographic statistics. A typical profile of a potential retirement resident indicates that approximately 70 percent of residents live within a ten-mile radius of the retirement community. This is the primary target area for retirees for this project.

There are approximately 8,700 HUD Section 8 project-based housing units in San Francisco. According to the Housing Authority, there are also 4,400 Section 8 vouchers as well as 1,680 Section 8 units managed by the Housing Authority. This is equal to a total of 14,780 units in the City of San Francisco. There is an average 5,000 to 6,000 people on the waiting list for assisted housing in San Francisco with a typical waiting period of six to thirty-six months. This project currently has a waiting list of 160 people.

C. Housing Supply

In the surrounding area, no market-rate projects exist that offer studio and one-bedroom units to seniors only, without additional services. Most market-rate, senior housing developments directly provide food services, health care and other services. This project is not competitive with surrounding market rate projects.

Other private senior developments are in the PMA, however, all these developments are rent restricted: This project is in an area that is included in the Neighborhood Revitalization Strategy Area. There is significant public and private activity in the area. including projects in which both A.F. Evans Company and Asian, Inc. have been integral participants.

New affordable housing is under construction or planned in the PMA. A new residential development with 175 apartment units, 8,0000 square feet of commercial space, and a 4,000 square foot childcare center was developed by the Tenderloin Housing Partners. At the comer of Ellis and Taylor Streets is a 93-unit senior apartment complex under construction by Mercy Charities. Construction is expected to be completed by early 2001.

The project offers limited amenities; the units do not contain dishwashers, balconies or on-site parking and the kitchens are small. The unit's appeal as a market rate project is average, but it meets the need for local seniors on a fixed income.

PROJECT FEASIBILITY:

A. Capture Rate

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

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

Rent Level	Subject Project	Section 8	Mkt. Rate Avg.	Difference	Percent
50%dio					
60%	$642	$845	$800	$158	80%
	$773	$845	$800	$27	97%
One Bedroom					
50%	$686	$1,045	$1,050	$364	65%
60%	$799	$1,045	$1,050	$251	769

C. Estimated Lease-Up Period

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

OCCUPANCY RESTRICTIONS:

CHFA: 20% of the units (17) will be restricted to 50%or less of median income.

TCAC: 100%of the units (81) will be restricted to 60% or less of median income.

HAP Contract: Section 8 project based rents expires 2003 and the sponsor will be required to seek and accept annual renewals.

ENVIRONMENTAL:

Phase I-Environmental Assessment Report was completed on March 28,2000 by Lowney Associates Environmental/Geotechnical/Engineering Services. The study recommended that the underground storage tank located in the basement be sealed. In 1981, the tank was emptied and filled with sand, however there was no evidence that the tank was sealed, and this will be completed as part of the rehabilitation.

The Dames & Moore seismic review stated the seismic upgrades made to the building in 1982 mitigate health and safety risks to the tenants. The seismic report states that the damage threshold for the building exceeds normal CHFA damage guidelines but that additional retrofitting would not be cost effective and would not substantially limit the estimated damage. A FEMA 178 Checklist was completed to further evaluate health and safety risks and the project passed these guidelines.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The managing General Partner for the limited partnership (to be formed) is Asian, Inc, a non-profit public benefit corporation, as the general partner. A.F. Evans Company will be the administrative General Partner and Lend Lease REI will be the Limited Partner and equity investor.

Asian, Inc. was established in 1971 to help disadvantaged businesses obtain loans. The non-profit was founded in 1978 to develop new construction and rehabilitate housing. They have developed over 800 units of housing in the City of San Francisco.

B. Contractor

The sponsor is in the process of selecting a contractor and currently intends to use Precision GC Inc. Preliminary rehabilitation estimates were obtained from Precision GC Inc. who is the general contractor responsible for rehabilitation on MORH Housing in Oakland California. The CHFA Board previously approved MORH Housing.

C. Architect

The scope of the rehabilitation work is minimal and an architect is not necessary.

D. Management Agent

Evans Property Management Inc., ("EPMI") a subsidiary of the A.F. Evans Company will be the managing agent. EPMI manages 23 apartment projects containing 3,961 units.

Project Summary

Date. . 24-Apr-00

Project Profile:

Project	Lassen Apts	*Appraiser*	Chris Carneighi
Location	441 Ellis St		Carneighi a Bautovich
	San Francisco	*Cap Rate*	8 50%
'ounty/Zip	San Francisco 94102	*Market*	$ 5,900,000
Borrower	TBD	*Income*	$ 6,700,000
GP	Asian, Inc	*final Value*	$ 6,700,000
LP	A F Evans Co.		
		LTC/LTV:	
Program.	Tax Exempt	*Loan/Cost*	64.4%
CHFA #:	00-005-N	*Loan/Value*	66.6%

Project Description:

Units	81
Handicap Units	4
Bldg Type	Rehab
Buildings	1
Stories	6
Gross Sq Ft	50.532
Land Sq R	11.344
Units/Acre	311
Total Parking	0
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rats	Term
CHFA First Mortgage	$4.460.000	$55,062	6.20%	30
CDBG	$693,000	$8,556	1.00%	30
Other Loans	$0	$0	0.00%	
AHP Funds	$0	$0	0.00%	
Borrowers Cash Contribution	$0	$0		
Deferred Developer Equity	$0	$0		
Tax Credit Equity	$1,767,785	821,825		
CHFA HAT	$0	$0	0.00%	

[redacted]

Type	Size	Number	AMI	Rent	Max Income
0 BR	371	7	50%	$642	$26.200
1 BR	517	10	50%	$686	$29.950
0 BR	371	26	60%	$773	$31,440
1 BR	517	37	60%	$799	$35.940
1 BR	517	1	Manager	$799	N/A
		81			

Fees, Escrows and Reserves:

Rehab Escrows	Basis of	Requirements	Amount	Security
Commitment Fee	1.25%	of Loan Amount	$55,750	Cash
Finance Fee	1.25%	of Loan Amount	$55.750	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$44,600	Letter of Credit
Rent Up Account	1.00%	of Gross Income	$9,273	Letter of Credit
Operating Expense Reserve	10%	of Gross Income	$74,177	Letter of Credit
Marketing	1.00%	of Gross Income	$9,273	Letter of Credit
Initial Replacement Reserve	$500	per Unit	$40,500	Cash
Annual Replacement Reserve	$325	per Unit	$26.325	Operations
Completion Const Defects Agreement	2.5%	for 12 months	$18,984	Letter of Credit
Transition Operating Reserve			$450.000	Residual Receipts

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Sources and Uses — Lassen Apts

SOURCES:

Name of Lender/Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	4,460,000	64.44%	88.26	55,062
CHFA Bridge	0	0.00%		0
CDBG	693,000	10.01%	13.71	8,556
Loan 4	0	0.00%		0
Other Loans	0	0.00%		0
AHP Funds	0	0.00%		0
Total Institutional Financing	5,153,000	74.46%	101.97	63,617
Equity Financing				
Borrowers Cash Contribution	0	0.00%		0
Deferred Developer Equity				
Tax Credit Equity	1,767,785	25.54%	34.98	21,825
Total Equity Financing	1,767,785	25.54%	34.98	21,825
(TOTAL SOURCES	6,920,785	100.00%	136.96	85,442

USES:

	5,191,000	75.01%	102.73	64.086
Rehabilitation	607,500	8.78%	12.02	7.500
	0	0.00%		0
Architectual Fees	50,000	0.72%	0.99	617
Survey and Engineering	5,000	0.07%	0.10	62
Const. Loan Interest & Fees	41,237	0.60%	0.82	509
Permanent Financing Fees	121,500	1.76%	2.40	1,500
Legal Fees	75,000	1.08%	1.48	926
Reserves	134,784	1.95%	2.67	1.664
Contract Costs	13,000	0.19%	0.26	160
Construction Contingency	211,772	3.06%	4.19	2.614
Local Fees	5,000	0.07%	0.10	62
TCAC/Other Costs	90,210	1.30%	1.79	1.114
PROJECT COSTS	6,546,003	94.58%	129.54	80,815
Developer Overhead/Profit	374,782	5.42%	7.42	4.627
Consultant/Processing Agent	0	0.00%		0
TOTAL USES	6,920,785	100.00%	136.96	85,442

Annual Operating Budget — Lassen Apts

		% of total	$ per unit
INCOME:			
Total Rental Income	925,861	99.8%	11,430
Laundry	1,458	0.2%	18
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	927,319	100.0%	11,448
Less:			
Vacancy **Loss**	37,161	4.0%	459
Total Net Revenue	890,158	96.0%	10,990
EXPENSES:			
Payroll	109,588	16.6%	1,353
Administrative	61,787	9.3%	763
Utilities	61,960	9.4%	765
Operating and Maintenance	45,377	6.9%	560
Insurance and Business Taxes	24,785	3.7%	306
Taxes and Assessments	4,000	0.6%	49
Reserve for Replacement Deposits	26,325	4.0%	325
Subtotal Operating Expenses	333,822	50.5%	4,121
Financial Expenses			
Mortgage Payments (1st loan)	327,793	49.5%	4,047
Total Financial	327,793	49.5%	4,047
Total Project Expenses	661,615	100.0%	8,168

Cash Flow | **Lassen Apts** | **00-005-N** | **CHFA #**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Sec. 8 Rent Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Sec. 8 Rents	184,093	186,854	189,657	0	0	0	0	0	0	0
Affordable Rent Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	741,768	752,895	764,188	775,651	811,130	831,408	852,193	873,498	895,336	917,719
TOTAL RENTAL INCOME	**925,861**	**939,749**	**953,845**	**775,651**	**811,130**	**831,408**	**852,193**	**873,498**	**895,336**	**917,719**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	1,458	1,480	1,502	1,525	1,547	1,586	1,626	1,666	1,708	1,751
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**1,458**	**1,480**	**1,502**	**1,525**	**1,547**	**1,586**	**1,626**	**1,666**	**1,708**	**1,751**
GROSS INCOME	**927,319**	**941,229**	**955,347**	**777,175**	**812,677**	**832,994**	**853,819**	**875,165**	**897,044**	**919,470**
Vacancy Rate :Section 8	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	37,161	37,719	38,285	38,859	40,634	41,650	42,691	43,758	44,852	45,973
EFFECTIVE GROSS INCOME	**890,158**	**903,510**	**917,063**	[illegible]	[illegible]	[illegible]	[illegible]	**831,407**	**852,192**	**873,496**
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	307,497	319,797	332,589	345,892	359,728	374,117	389,082	404,645	420,831	437,664
Replacement Reserve	26,325	26,325	26,325	26,325	26,325	27,641	27,641	27,641	27,641	27,641
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**333,822**	**346,122**	**358,914**	**372,217**	**386,053**	**401,758**	**416,723**	**432,286**	**448,472**	**465,305**
NET OPERATING INCOME	**556,336**	**557,388**	**558,149**	**366,099**	**385,991**	**389,586**	**394,405**	**399,120**	**403,720**	**408,191**
DEBT SERVICE										
CHFA - 1st Mortgage	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793
CHFA - Bridge Loan										
CHFA - HAT Loan										
Deposit to Transition Acct	150,000	150,000	150,000							
Balance of Transition Acct	150,000	301,575	454,742							
CASH FLOW after debt servic	**78,542**	**79,595**	**80,356**	**38,306**	**58,197**	**61,793**	**66,612**	**71,327**	**75,926**	**80,398**
DEBT COVERAGE RATIO	**1.16**	**1.17**	**1.17**	**1.12**	**1.18**	**1.19**	**1.20**	**1.22**	**1.23**	**1.25**

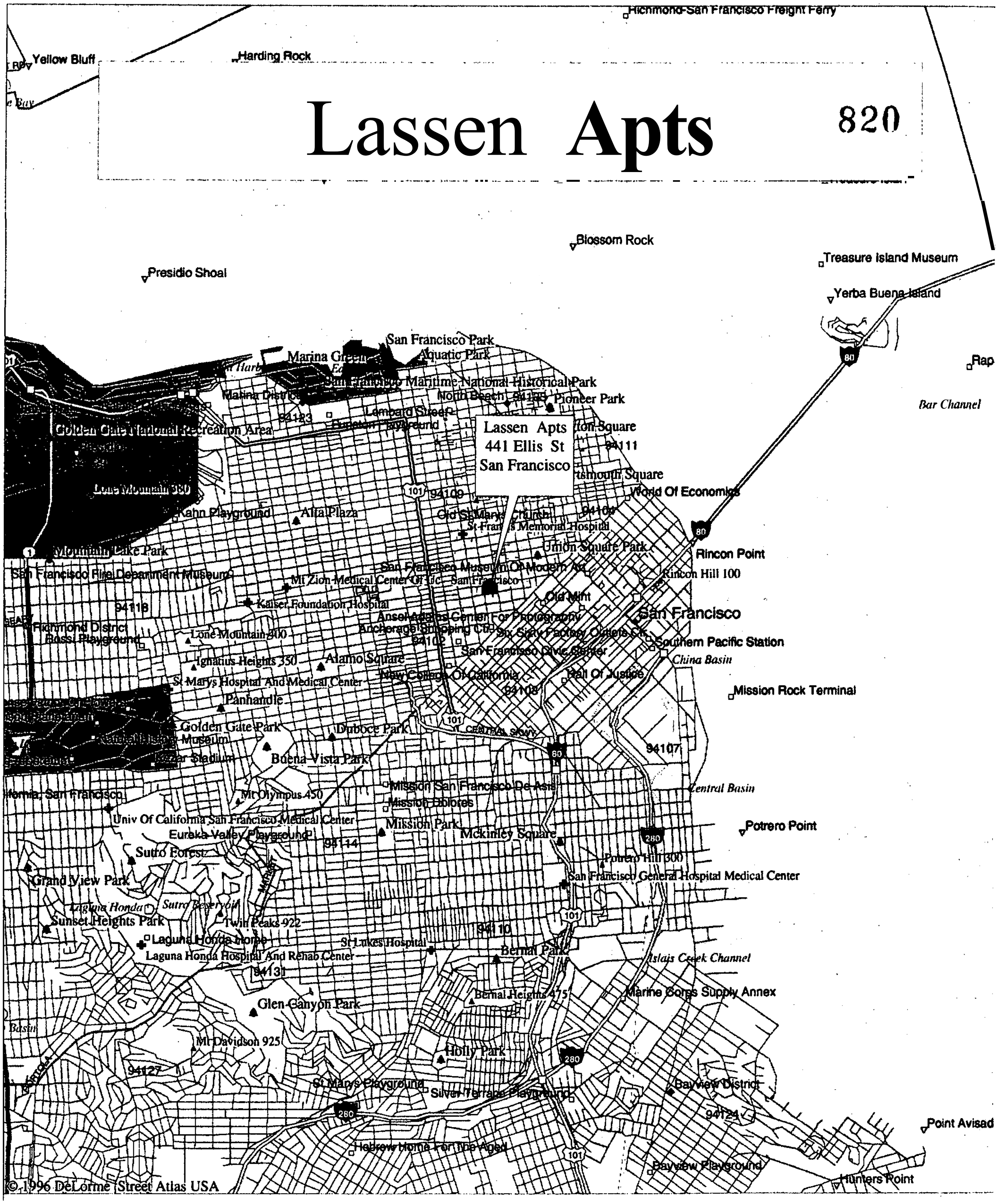
Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	fear 18	Year 19	Year 20
Sec. 8 Rent Increase	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sec. 8 Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	940,662	964,179	988,283	1,012,990	1,038,315	1,064,273	1,090,880	1,118,152	1,146,105	1,174,758
TOTAL RENTAL INCOME	**940,662**	**964,179**	**988,283**	**1,012,990**	**1,038,315**	**1,064,273**	**1,090,880**	**1,118,152**	**1,146,105**	**1,174,758**
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	1,795	1,839	1,885	1,933	1,981	2,030	2,081	2,133	2,187	2,241
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**1,795**	**1,839**	**1,885**	**1,933**	**1,981**	**2,030**	**2,081**	**2,133**	**2,187**	**2,241**
GROSS INCOME	**942,457**	**966,018**	**990,169**	**1,014,923**	**1,040,296**	**1,066,303**	**1,092,961**	**1,120,285**	**1,148,292**	**1,176,999**
Vacancy Rate :Section 8	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	47,123	48,301	49,508	50,746	52,015	53,315	54,648	56,014	57,415	58,850
EFFECTIVE GROSS INCOME	**895,334**	**917,717**	**940,660**	**964,177**	**988,281**	**1,012,988**	**1,038,313**	**1,064,271**	**1,090,877**	**1,118,149**
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	455,171	473,378	492,313	512,005	532,485	553,785	575,936	598,974	622,933	647,850
Replacement Reserve	29,023	29,023	29,023	29,023	29,023	30,474	30,474	30,474	30,474	30,474
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**484,194**	**502,401**	**521,336**	**541,028**	**561,509**	**584,259**	**606,411**	**629,448**	**653,407**	**678,324**
NET OPERATING INCOME	**411,140**	**415,316**	**419,324**	**423,148**	**426,772**	**428,729**	**431,902**	**434,823**	**437,470**	**439,825**
DEBT SERVICE										
CHFA - 1st Mortgage	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793
CHFA - Bridge Loan										
CHFA - HAT Loan										
Deposit to Transition Acct										
Balance of Transition Acct										
CASH FLOW after debt servic	**83,347**	**87,523**	**91,531**	**95,355**	**98,979**	**100,936**	**104,109**	**107,029**	**109,677**	**112,032**
DEBT COVERAGE RATIO	**1.25**	**1.27**	**1.28**	**1.29**	**1.30**	**1.31**	**1.32**	**1.33**	**1.33**	**1.34**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Sec. 8 Rent Increase	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sec. 8 Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,204,127	1,234,230	1,265,086	1,296,713	1,329,131	1,362,359	1,396,418	1,431,329	1,467,112	1,503,790
TOTAL RENTAL INCOME	1,204,127	1,234,230	1,265,086	1,296,713	1,329,131	1,362,359	1,396,418	1,431,329	1,467,112	1,503,790
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	2,297	2,355	2,414	2,474	2,536	2,599	2,664	2,731	2,799	2,869
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	2,297	2,355	2,414	2,474	2,536	2,599	2,664	2,731	2,799	2,869
GROSS INCOME	1,206,424	1,236,585	1,267,500	1,299,187	1,331,667	1,364,958	1,399,082	1,434,059	1,469,911	1,506,659
Vacancy Rate :Section 8	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	60,321	61,829	63,375	64,959	66,583	68,248	69,954	71,703	73,496	75,333
EFFECTIVE GROSS INCOME	1,146,103	1,174,756	1,204,125	1,234,228	1,265,083	1,296,710	1,329,128	1,362,356	1,396,415	1,431,326
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	673,764	700,714	728,743	757,893	788,208	819,737	852,526	886,627	922,092	958,976
Replacement Reserve	31,998	31,998	31,998	31,998	31,998	31,998	33,598	33,598	33,598	33,598
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	705,762	732,713	760,741	789,891	820,207	851,735	886,124	920,225	955,690	992,574
NET OPERATING INCOME	440,341	442,043	443,383	444,337	444,877	444,976	443,004	442,131	440,725	438,752
DEBT SERVICE										
CHFA - 1st Mortgage	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793	327,793
CHFA - Bridge Loan										
CHFA - HAT Loan										
Deposit to Transition Acct										
Balance of Transition Acct										
CASH FLOW after debt servic	112,548	114,250	115,590	116,543	117,083	117,182	115,211	114,338	112,932	1 0,958
DEBT COVERAGE RATIO	1.34	1.35	1.35	1.36	1.36	1.36	1.35	1.35	1.34	1.34

Lassen **Apts** 820



- Local Road
- Major Connector
- Primary State Route
- Trail
- Interstate/Limited Access
- Toll Highway
- US Highway
- Railroad
- Point of Interest
- Summit
- Geographic Feature
- Hospital
- Park/Reservation
- MegaCity

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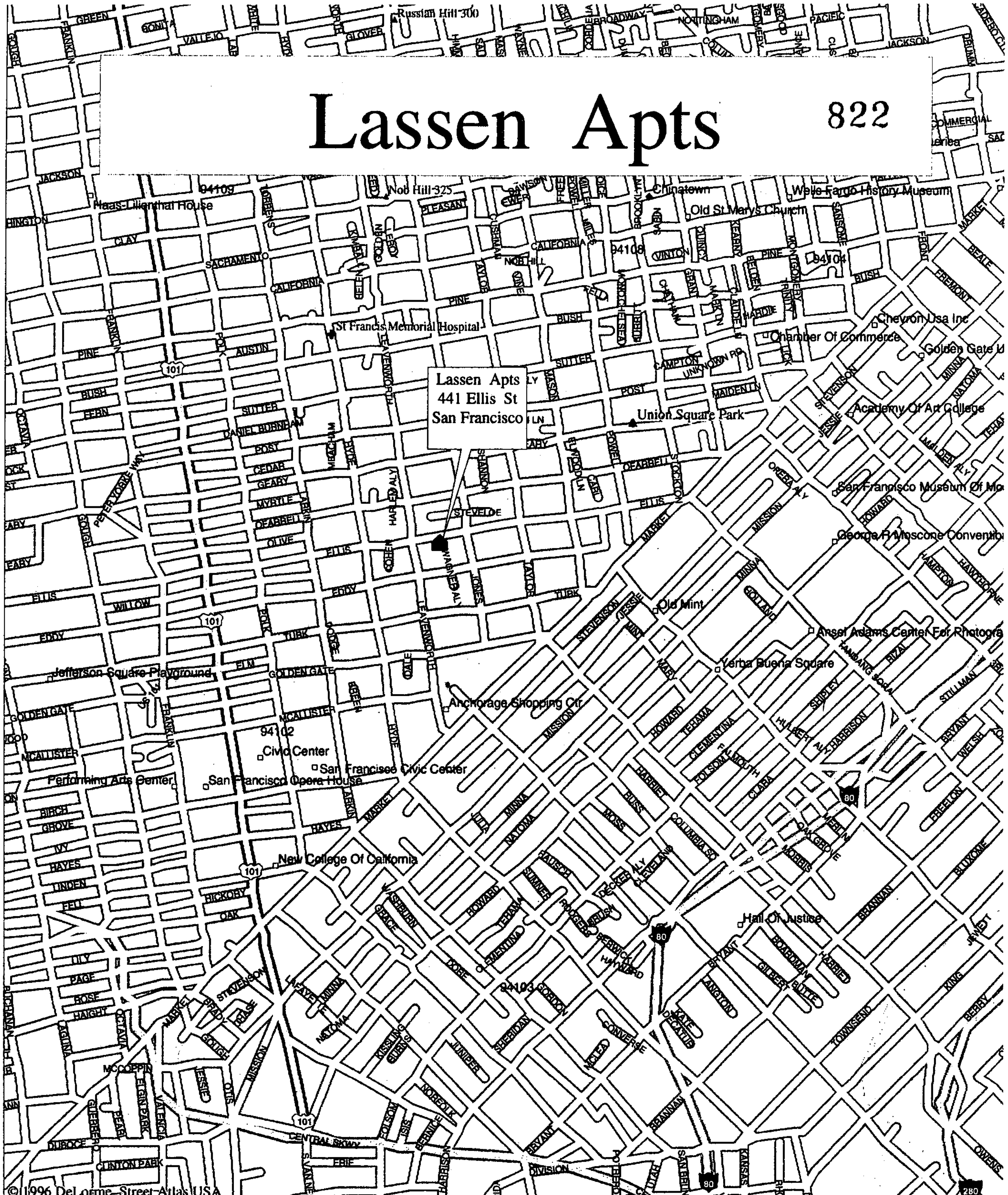
Lassen Apts 822



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Local Road
Major Connector
Trail
Interstate/Limited Access
US Highway
Railroad
Point of Interest

Summit
Hospital
Park/Reservation
Locale
Population Center
Water

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RESOLUTION 00-09

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from A.F. Evans Company, Inc., (the "Borrower"), seeking a loan commitment under the Agency's Preservation Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for an 81-unit multifamily housing development located in the City of San Francisco to be known as Lassen Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 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 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
00-005-N	Lassen Apartments San Francisco/San Francisco	81	$4.460.000

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

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

I hereby certify that this is a true and correct copy of Resolution 00-09 adopted at a duly constituted meeting of the Board of the Agency held on May 11, 2000, at Burbank. California.

ATTEST:______________
Secretary

Executive Summary

Date: 24-Apr-00

Project Profile:

Project :	O'Farrell Tower Apts.	*Borrower:*	Citizens Hsg. Corp.
Location:	477 O'Farrell Street	*GP:*	TBD
City:	San Francisco	*LP:*	TBD
County:	San Francisco	*Program:*	501(C) (3)
Type:	Elderly	*CHFA # :*	99-033-N

Financing Summary

	Final	Per Unit
CHFA First Mortgage	$4,240,000	$41,980
CHFA Second Mortgage	$2,274,000	$22,515
CHFA Third Mortgage	$1,100,000	$10,891
SF Redev Land Purchase	$2,100,000	$20,792
RHCP/CHFA(existing)	$2,196,000	$21,743
Developer Equity	$0	$0
Deferred Developer Equity	$0	$0
Tax Credits	S0	S0

Loan to Value
72.5%

Loan to Cost
63.9%

Unit Mix:

Type	*Size*	Number	AMI	Rent	Max Income
1 BR	534	26	50%	Si12	$29,950
1 BR	534	74	60%	s799	$35,940
1 BR	534	1	hlanager	$0	N/A
		101			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: O'Farrell Tower Apartments

CHFA Ln. # 99-033-N

SUMMARY: This is a Final Commitment request for three loans funding the permanent financing of the O'Farrell Tower Apartments. The first loan will be in the amount of **$4,240,000** for thirty years. The second loan will be for **$2,274,000** due in fifteen years. The third loan is in the amount of **$1,100,000** and due in five years. All three loans will amortize over their respective terms. The project is a 101-unit elderly project located at **477** O'Farrell Street, San Francisco in San Francisco County.

The property is currently encumbered by two CHFA loans. A first loan in the amount of **S5.387.116** which will be refinanced through this transaction and a second. residual receipts RHCP/CHFA loan with a principal balance of **$2,196,000.** Both loans have remaining terms of **15** years **(2015).** The property also has an existing Section 8 contract that expires in **2005.**

LOAN TERMS:

CHFA 1[st] Mortgage Amount:	**54,240,000**
Interest Rate:	**6.20%**
Term:	**30** year fixed
Financing:	501 (C)(3)
CHFA 2[nd] Mortgage Amount :	**$2,274,000**
Interest Rate:	**6.20%**
Term:	**15** year fixed
Financing:	501 (C) (3)
CHFA 3[rd] Mortgage Amount:	**$1,100,000**
Interest Rate:	**7%**
Term:	**5** years fixed
Financing:	HAT
Existing Financing:	In addition **to** the existing CHFA first loan, there is a RHCP/CHFA loan in the amount of **$2.196.000** with interest accruing at 3% annually. The entire principal balance and any unpaid or accrued interest is due and payable by **2015.** This loan will be

modified to become co-terminus with the new CHFA permanent financing.

LEVELS OF FIKANCIXG:

The Section 8 contract, coupled with the CHFA long term fixed rate loan structure, allows for multiple layers of financing that most effectively leverages the available project income. The CHFA first mortgage **($4,240,000)** is underwritten to rents at the 50% and 60% income levels for a term of 30 years.

The additional income generated from the Section 8 contract allows for additional financing. The second CHFA mortgage ($2,274,000) is underwritten based on the income difference between the 50/60% rent levels and the 80% of median income and has a term of **15** years. In the event the Section **8** contract is not renewed, the City of San Francisco will either pay off the CHFA second loan or will continue the debt service payments. The CHFA third loan **($1,100,000)** is underwritten utilizing project income generated by the difference between the 80% of median income and the Section 8 contract (which are approximately 100% of median income). This third loan is for five years and is co-terminus with the expiration of the Section **8** contract. All of the loans amortize over their respective terms.

The existing RHCP/CHFA loan will be restructured to be co-terminus with the CHFA first loan (30-year term) and will continue to be residual receipts, with interest accruing at 3%.

LOCALITY INVOLVEMENT:

The Redevelopment Agency will purchase the land and enter into a ground lease agreement with the purchaser, Citizens Housing Corporation. The San Francisco Redevelopment Agency is also entering into a repurchase agreement with CHFA on the second loan. The agreement will state in part that if Section **8** HAP contract rent payments end prior to the **15** year term, the Redevelopment Agency will pay off or continue debt service on the second loan. In any event, tenants would not pay more than the ***50%*** and 60% of adjusted median income that is required to amortize the CHFA first mortgage.

BACKGROUND:

CHFA provided permanent financing for this project when it was completed in 1985. The section **8** contract term was for 20 years (expiring July ***2005)*** with the loan's original term of 30 years (November 2015), hence a mismatch of 10 years. This mismatch of termination dates presents an opportunity to refinance the existing portfolio loan and ensure affordability for an additional 15 years.

The ground floor has an approximately 8,700 square foot senior center, which serves the community at large and is operated by the San Francisco Senior Center. This project currently has a second loan funded with RHCP setasides under the "Second Mortgage Fund Program" which requires that 20% of the units be made available to lower income households. The loan accrues interest at 3% with a due date of **2015.** Under the proposed financing, the term would be extended to 30 years and due co-terminus with the first mortgage. The project currently has Section 8 project-based rents for 100% of the units with a HAP termination date of ***2005.***

SECTION 8 CONVERSION:

Current Status. The 101-unit O'Farrell Tower project is an existing. 15-year-old HUD Section 8 senior project with a HAP contract on annual renewals. The project will remain restricted to senior residents.

Conversion Scenario. If the project-based contract is not renewed, the residents would likely remain a mix of Section 8 and higher rent tenants (50/60% of median) for several years (or longer). depending on the rate of turnover. This scenario assumes that up to 30% of existing tenants would elect to move out were they to receive Section 8 certificates (i.e., if the project were no longer subsidized). The likelihood of this many tenants relocating voluntarily is expected to be low. due to the combined effects of the following factors:

- Many owners of market rate senior projects in San Francisco County are no longer accepting Section 8 certificates, based on interviews with property owners/managers over the past 12 months. The Housing Authority suggests that landlord acceptance of Section 8 certificates in general occupancy projects has also dropped significantly since improving market conditions have allowed landlords to increase street rents.
- All existing LMTC senior apartment units in the primary market area are 100% occupied, typically with waiting lists. The opportunity for existing O'Farrell Tower tenants to move out to other affordable senior projects is low.
- Mobility rates of senior renters are low, as evidenced by the much lower turnover rate in senior apartment projects relative to general occupancy projects.
- If 30% of the subject project's existing tenant base were in fact to move out (after receiving portable Section 8 certificates), the survey concludes that absorption of those units at the new proposed tax credit rent would occur within three months. This translates to an average absorption of 10 units per month.

- The subject's residual receipts will provide a $400.000 Transition Reserve to cover any project related operating shortfall.

PROJECT DESCRIPTION:

A. Site Design

The site is located mid-block on the south side of O'Farrell Street between Jones and Taylor Street in the City of San Francisco. The site is comprised of a single, generally rectangular shaped parcel that contains .28 acres. The site slopes gently southward from. O'Farrell Street down to Steveloe Place, with the ground floor of the subject improvements at street grade along O'Farrell Street.

B. Project Description

The subject property consists of a 12-story building and an attached one-story building with a basement senior center. The subject contains 101 residential units and was completed in 1985. All of the units are one-bedroom and contain full kitchens. The senior center occupies approximately 8,700 square feet. with 4.644 square feet on the lower level and 4.056 square feet on the ground floor. The residential portion of the subject complex is located on the southeastern side of the ground floor. The ground level of the residential complex contains a lobby area plus management and activity coordinator's office. The lobby is accessed by a card and key security system. To the south of the lobby is a mailbox area. lounge, and the elevator core. At the southern end of the first floor there is a balcony area and stairway which lead down to an attractive landscaped garden. Adjacent to the garden is a small parking lot stripped for six vehicles.

Two elevators are provided in the residential portion of the building. and provide access to the upper floors. There is also one elevator in the senior center portion of the building that serves the basement and first floor. A coin-operated laundry room is located on every other floor of the building. There are also storage areas located on the floors between laundry room floors.

The entrance to the senior center is opposite the residential lobby area. It contains on the ground floor offices, a dining area and kitchen, as well as the senior center activity/information desk and reception area. The lower level of the senior center is accessed by an elevator located near the dining room. The lower level consists of a movie room, an arts and crafts and computer room, as well as a health room with showers. There are two restrooms located on each level of the senior center.

C. Rehabilitation Work and Improvements

Project rehabilitation is minimal and is based upon a the report prepared by AEI Consultants on behalf of Citizens Housing and our Agency. Overall, the building is in good condition. The major rehab components include the following:

- Repair of the railing and concrete stairs
- Replace the overflow valve for the fire tank
- Remove impediments from tenant fire pull alarms

D. Relocation

No permanent relocation is anticipated, consequently no relocation will be required during rehabilitation. The Agency will require compliance with any applicable provisions of the Uniform Relocation Act.

E. Project Location

The subject property is located in the southern portion of the Tenderloin neighborhood of San Francisco. The Tenderloin District is generally situated in the southwest section of downtown San Francisco, adjacent and east of the Civic Center District. southwest of the Union Square retail area and approximately three blocks southeast of the Polk Street retail district. The heart of the Tenderloin and the Primary Market Area ("PMA") is bounded by Golden Gate Avenue to the south. O'Farrell to the north. Larkin Street to the west. and Mason Street to the east.

The Tenderloin District is primarily a residential area that contains many low income and transient residential hotels. numerous adult facilities and apartment buildings. Improvements within the subject neighborhood consist generally of two- to six-story residential structures, many of which contain ground floor commercial uses. Neighborhood buildings generally date from the early 1900s and many in a poor state of repair. The Tenderloin neighborhood has traditionally experienced a high crime rate and has a transient population. However, the area has stabilized slightly over the past decade and includes more families. The more stable population has spurred an influx of neighborhood service retail establishments, such as restaurants. In addition, significant improvement has been made in the Tenderloin, primarily through the construction and renovation of subsidized housing projects.

Numerous neighborhood groups are working to help decrease the crime, drug abuse. and homelessness within this area. Nearly all new construction occurring in this area is by non-profit groups who work to provide affordable housing for the City's low income residents.

MARKET:

A. Market Overview

San Francisco is the geographic center of a major metropolitan area consisting of nine counties surrounding San Francisco Bay. The Bay Area is the fourth largest metropolitan center in the United States with a population exceeding 5.7 million. The population within San Francisco proper was approximately 790,500 as of January 1, 1999, an increase of 1% from the previous year. Population levels are expected to remain stable through ***2005.***

The principal economic activities include finance, high technology, manufacturing and transportation. Job growth has expanded since 1995 and total jobs for 2000 are estimated to be 628.860. Unemployment in San Francisco was reported at 1.8% as of December 1999 and the median household income was $68,600, a 15.1% increase from the 1995 estimated amount of $59.600.

The housing market in San Francisco has been one of the most expensive markets in the country. High demand and a shortage of buildable lots have kept prices at roughly two times the national average. Rental rates increased dramatically in the last year. Most apartment complexes report anywhere from 6 to 40 percent increases in monthly rent levels over the past year. The vacancy rate is considered to be nonexistent. with most units occupied immediately upon turnover of the unit. The presence of rent control limits the upside potential of many-in-place rents, as they may only be increased by 1-25? per year until they become vacant. Housing starts have also increased. from a low of 1.077 in 1990. to 3,067 through October, 1999 for single-family and multi-family construction.

B. Market Demand

The number of elderly in the United States is growing at a rate as fast as that of the overall population. According to the California Department of Aging, there were a projected 4,969,882 people over the age of 60 residing in California. Of that number, 145,144 (3%)were in San Francisco. Rental rates in the PMA have increased by 6% to **10%.** Rents for a studio apartment range between $850 to $1,200 per month. Rents for one-bedroom units range from $1,000 to $1,700 per month.

The demand for living facilities for the elderly is expected to continue to grow, as evidenced by the demographic statistics. A typical profile of a potential retirement resident indicates that approximately 70 percent of residents live within a ten-mile radius of the retirement community. This is the primary target area for retirees for this project.

There are approximately 8,700 HUD Section 8 project based housing units in San Francisco. According to the Housing Authority, there are also 4.400 Section 8 vouchers as well as 1.680 Section 8 units managed by the Housing Authority. This is equal io a total of 14.780 units in the City of San Francisco. There is an average 5.000 to 6,000 people on the waiting list for assisted housing in San Francisco with a typical waiting period of 6 to 36 months. This project is currently 100% occupied with a waiting list.

C. Housing Supply

In the surrounding area, no market-rate projects exist that offer studio and one-bedroom units to seniors only, without additional services. Most market-rate, senior housing developments directly provide for food services, health care and other services. This project is not competitive with surrounding market rate projects.

Other private senior developments are in the PMA, however, all these developments are rent restricted. This project is in an area that is included in the Neighborhood Revitalization Strategy Area. There is significant public and private activity in the area. including projects in which both AF Evans Company and Citizens Housing have been integral participants.

New affordable housing is under construction or planned in the PMA. A new residential development with 175 apartment units. 8,000 square feet of commercial space, and a 4,000 square foot childcare center was developed by the Tenderloin Housing Partners. At the comer of Ellis and Taylor Street is a 93-unit senior apartment complex under construction by Mercy Charities. Construction is expected to be completed by early 2001.
The project offers limited amenities; the units do not contain dishwashers or balconies and offers limited on-site parking and the kitchens are small. The unit's appeal as a market rate project is average. but it meets the need for local seniors on a fixed income.

PROJECT FEASIBILITY

A. Capture Rate in Primary Market Area (PMA)

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

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

Rent Level	Subject Project	Sec. 8 Rent	Mkt. Rate Avg.	Difference	Percent
One-Bedroom					
50%	$712	$1.262	$1,200	$488	59%
60%	$799	$1,262	$1.200	$401	67%

C. Estimated Lease-Up Period

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

OCCUPANCY RESTRICTIONS:

CHFA: **20%** of the units (26) will be restricted to 50% or less of median income.
SFRD: **75%** of the units **(74)** will be restricted to 60% or less of median income.

Note: HUD HAP project based contract expires in July 2005. CHFA will require the sponsor to seek and accept annual contract renewals.

ENVIRONMENTAL:

CHFA received a Phase I-Environmental Assessment Report prepared by Treadwell & Rollo dated December **14, 1999** and a reliance letter is required. The report concludes that there is no evidence to suggest any significant environmental conditions at the subject property.

The Dames & Moore seismic review is in process to determine any life safety issues that will be made a condition of the final commitment.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The borrower is Citizens Housing Corporation. a California **501** (C) (3) nonprofit corporation. Citizens Housing Corporation ("CHC) is a nonprofit, public benefit corporation established in **1992** to increase and preserve affordable housing opportunities for low-income Californians. CHC currently has a portfolio of over **1,000** units throughout California. Their most recent project with the Agency is Light Tree Apartments, an acquisition/rehabilitation project location in East Palo Alto, California.

B. Contractor

Due to the minimal cost involved with the project, no contractor is contemplated.

C. Architect

No architect is required.

D. Management Agent

Evans Property Management, Inc. ("EPMI"). a subsidiary of the A.F. Evans Company will be the managing agent. EPMI manages 23 apartment projects containing 3,961 units. **some of which are owned by third parties.**

Project Summary

837

Date: 24-Apr-00

Project Profile:

scription:

Project :	O'Farrell Tower Apts.	*Appraiser:*	Chris Carneghi	*Units*	101
Location:	477 O'Farrell Street		Carneghi-Bautovich	*Handicap Units*	
	San Francisco	*Cap Rate:*	8.00%	*Bldge Type*	Acq/Rehab
unty/Zip:	San Fran 94102	*Land Value*	$ 2,100,000	*Buildings*	1
Borrower:	Citizens Hsg. Corp.	*Leased Fee In*	$ 10,500,000	*Stories*	12
GP:	TBD	*Final Value:*	$ 10,500,000	*Gross Sq Ft*	87,000
LP:	TBD			*Land Sq Ft*	12,200
		LTC/LTV:		*Units/Acre*	361
Program:	501(C) (3)	*Loan/Cost*	63.96	*Total Parking*	6
CHFA #:	99-033-N	*Loan/Value*	72.54	*Covered Parking*	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$4,240,000	$41,980	6.20%	30
CHFA Second Mortgage	$2,274,000	$22,515	6.20%	15
CHFA Third Mortgage	$1,100,000	$10,891	7.00%	5
SF Redev Land Purchase	$2,100,000	$20,792	0.00%	-
RHCP/CHFA(existing)	$2,196,000	$21,743	3.00%	30
Developer Equity	$0	$0		
Tax Credit Equity	$0	$0		
Deferred Developer Fee	$0	$0		

Unit Mix:

Type	Size	Number	AMI	Sec 8	AMI	Max Income
1 BR	534	26	50%	$1,262	$712	$29.950
1 BR	534	74	60%	$1,262	$799	$35.940
1 BR	534	1	Manager	$0	N/A	N/A
		101				

Fees, Escrows and Reserves:

Escrows	Basis of Requiremen	Amount	Security
Commitment Fee	1.00% of Loan Amount	$76,140	Cash
Finance Fee	1.00% of Loan Amount	$76,140	Cash
Bond Origination Guarantee	1.00% of Loan Amount	$65,140	Letter of Credit
Rent Up Account	0.00% of Gross Income	$0	Letter of Credit
Operating Expense Reserve	0.00% of Gross Income	$0	Letter of Credit
Marketing	0.00% of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	$350 Per Unit	$35,350	Operations
Initial Deposit to Repl. Reserve	Exisitng	$800,000	Cash
Construction Defects Agreement	12 Months	N/A	N/A
Transition Operating Fund		$400.000	Cashflow

Sources and Uses — O'Farrell Tower Apts.

SOURCES:

Name of* Lender / *Source	**Amount**	**% of total**	**$ per sq ft**	**$ per unit**
CHFA First Mortgage	4,240,000	35.60%	48.74	41,980
RHCP/CHFA(existing)	2,196,000	18.44%	25.24	21,743
CHFA Third Mortgage	1,100,000	9.24%	12.64	10,891
Other	0	0.00%		0
SF Redev Land Purchase	2,100,000	17.63%	24.14	20,792
CHFA Second Mortgage	2,274,000	19.09%	26.14	22,515
Total Institutional Financing	**11,910,000**	**100.00%**	**136.90**	**117,921**
***Equity* Financing**				
Tax Credits	0	0.00%		*0*
Deferred Developer Equity	0	0.00%		*0*
Total Equity Financing	***0***	**0.00%**		***0***
TOTAL SOURCES	**11,910,000**	**100.00%**	**136.90**	**117,921**

USES:

Acquisition	11,469,875	96.30%	131.84	113,563
Rehabilitation	6,200	0.05%	0.07	61
New Construction	0	0.00%		0
Architectual Fees	0	0.00%		0
Survey and Engineering	0	0.00%		0
Const. Loan Interest & Fees	0	0.00%		0
Permanent Financing	177,280	1.49%	2.04	1,755
Legal Fees	0	0.00%		0
Reserves	0	0.00%		0
Contract Costs	7,500	0.06%	0.09	74
Construction Contingency	20,125	0.17%	0.23	199
Local Fees	0	0.009		0
TCAC/Other Costs	116,500	0.98%	1.34	1,153
PROJECT COSTS	**11,797,480**	**99.06%**	**135.60**	**116,807**
Developer Overhead/Profit	112,520	0.94%	1.29	1,114
Consultant/Processing Agent	0	0.00%		0
TOTAL USES	**11,910,000**	**100.00%**	**136.90**	**117,921**

Annual Operating Budget — O'Farrell Tower Apts.

		% of total	$ per unit
INCOME:			
Total Rental Income	509,848	97.0%	5,048
Laundry	2,424	0.5%	24
Other Income	13,429	2.68	133
Commercial/Retail	0	0.08	
Gross Potential Income (GPI)	**525,701**	**100.0%**	**5,205**
Less:			
Vacancy Loss	15,844	3.0%	157
Total Net Revenue	**509,857**	**97.0%**	**5,048**
EXPENSES:			
Payroll	149,707	16.5%	1,482
Administrative	202,875	22.49	2,009
Utilities	56,415	6.2%	559
Operating and Maintenance	76,178	8.4%	754
Insurance and Business Taxes	52,299	5.8%	518
Taxes and Assessments	21,250	2.3%	210
Reserve for Replacement Deposits	35,350	3.9%	350
Subtotal Operating Expenses	**594,074**	**65.6%**	**6,882**
Financial Expenses			
Mortgage Payments (1st loan)	311,624	34.4%	3,085
Total Financial	**311,624**	**34.4%**	**3,085**
Total Project Expenses	**905,698**	**100.0%**	**8,967**

Cash Flow

O'Farrell Tower Ap CHFA # 99-033-N

RENTAL INCOME	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Section 8 Rent Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*N/A*	*N/A*	*N/A*	*N/A*
Section 8 Rent	113,752	346,375	351,571	356,844	362,197	183,815	N/A	N/A	N/A	N/A
Affordable Rent Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	396,096	1,206,112	1,224,204	1,242,567	1,261,205	1,311,647	1,336,824	1,370,245	1,404,501	1,439,613
TOTAL RENTAL INCOME	**509,848**	**1,552,487**	**1,575,774**	**1,599,411**	**1,623,402**	**1,495,462**	**1,336,824**	**1,370,245**	**1,404,501**	**1,439,613**
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	606	2,485	2,547	2,611	2,676	2,743	2,812	2,882	2,954	3,028
Commercial	3,357	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429
TOTAL OTHER INCOME	**3,963**	**15,914**	**15,976**	**16,040**	**16,105**	**16,172**	**16,241**	**16,311**	**16,383**	**16,457**
GROSS INCOME	**513,8[illegible]**	**[illegible],568,4[illegible]**	**[illegible],591,[illegible]50**	**1,615,[illegible]1**	**1,639,507**	**1,511,634**	**1,353,065**	**1,386,555**	**[illegible],420,884**	**1,456,070**
Vacancy Rate : Market	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Vacancy Rate : Affordable	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Less: Vacancy Loss	15,844	48,244	48,968	49,703	50,448	52,466	53,473	54,810	56,180	57,585
EFFECTIVE GROSS INCOME	**497,967**	**1,520,157**	**1,542,782**	**1,565,748**	**1,589,059**	**1,459,168**	**1,299,592**	**1,331,746**	**1,364,704**	**1,398,485**
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	134,368	556,286	575,756	595,907	616,764	638,351	660,693	683,818	707,751	732,522
Ground Lease Payment	3,750	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Replacement Reserve	8,837	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,562	6,375	6,503	6,633	6,765	6,901	7,039	7,179	7,323	7,469
TOTAL EXPENSES	**148,517**	**613,011**	**632,609**	**652,890**	**673,879**	**695,601**	**718,082**	**741,347**	**765,424**	**790,342**
NET OPERATING INCOME	**349,450**	**907,146**	**910,174**	**912,858**	**915,180**	**763,567**	**581,510**	**590,399**	**599,280**	**608,144**
DEBT SERVICE										
CHFA - 1st Mortgage	77,906	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624
CHFA - 2nd Mortage	58,307	233,231	233,231	233,231	233,231	233,231	233,231	233,231	233,231	233,231
CHFA - 3rd Mortgage	134,140	268,280	268,280	268,280	268,280	134,140				
CASH FLOW after debt service	**79,097**	**94,011**	**97,039**	**99,723**	**102,045**	**84,571**	**36,655**	**45,544**	**54,424**	**63,288**
DEBT COVERAGE RATIO	**1.29**	**1.12**	**1.12**	**1.12**	**1.13**	**1.12**	**1.07**	**1.08**	**1.10**	**1.12**
Standby Account(from D/S)	**40,000**	**60,000**	**65,000**	**65,000**	**70,000**	**60,000**				
Balance of Standby Account	**40,000**	**102,000**	**172,100**	**245,705**	**327,990**	**400,000**				
Residual Receipts	**39,097**	**34,011**	**32,039**	**34,723**	**32,045**	**24,571**				

Cash Flow

RENTAL INCOME	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Section 8 Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Section 8 Rent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,475,604	1,512,494	1,550,306	1,589,064	1,628,790	1,669,510	1,711,248	1,754,029	1,797,880	1,842,827
TOTAL RENTAL INCOME	**1,475,604**	**1,512,494**	**1,550,306**	**1,589,064**	**1,628,790**	**1,669,510**	**1,711,248**	**1,754,029**	**1,797,880**	**1,842,827**
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	3,103	3,181	3,261	3,342	3,426	3,511	3,599	3,689	3,781	3,876
Commercial	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429
TOTAL OTHER INCOME	**16,532**	**16,610**	**16,690**	**16,771**	**16,855**	**16,940**	**17,028**	**17,118**	**17,210**	**17,305**
GROSS INCOME	**1,492,136**	**1,529,104**	**1,566,996**	**1,605,835**	**1,645,645**	**1,686,450**	**1,728,276**	**1,771,147**	**1,815,090**	**1,860,131**
Vacancy Rate : Market	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Vacancy Rate : Affordable	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Less: Vacancy Loss	59,024	60,500	62,012	63,563	65,152	66,780	68,450	70,161	71,915	73,713
EFFECTIVE GROSS INCOME	**1,433,112**	**1,468,604**	**1,504,983**	**1,542,272**	**1,580,493**	**1,619,670**	**1,659,826**	**1,700,986**	**1,743,175**	**1,786,418**
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	758,161	784,696	812,161	840,586	870,007	900,457	931,973	964,592	998,353	1,033,295
Ground Lease Payment	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Replacement Reserve	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350
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	7,619	7,771	7,927	8,085	8,247	8,412	8,580	8,752	8,927	9,105
TOTAL EXPENSES	**816,129**	**842,817**	**870,437**	**899,021**	**928,604**	**959,219**	**990,903**	**1,023,694**	**1,057,629**	**1,092,750**
NET OPERATING INCOME	**616,982**	**625,787**	**634,546**	**643,251**	**651,890**	**660,451**	**668,923**	**677,292**	**685,545**	**693,668**
DEBT SERVICE										
CHFA - 1st Mortgage	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624
CHFA - 2nd Mortage	233,231	233,231	233,231	233,231	233,231	0	0	0	0	0
CHFA - 3rd Mortgage										
CASH FLOW after debt service	**72,127**	**80,931**	**89,691**	**98,396**	**107,034**	**348,827**	**357,299**	**365,668**	**373,921**	**382,044**
DEBT COVERAGE RATIO	**1.13**	**1.15**	**1.16**	**1.18**	**1.20**	**2.12**	**2.15**	**2.17**	**2.20**	**2.23**
Standby Account(from D/S)										
Balance of Standby Account										
Residual Receipts										

Cash Flow

RENTAL INCOME	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Section 8 Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Section 8 Rent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,888,897	1,936,120	1,984,523	2,034,136	2,084,989	2,137,114	2,190,542	2,245,305	2,301,438	2,358,974
TOTAL RENTAL INCOME	**1,888,897**	**1,936,120**	**1,984,523**	**2,034,136**	**2,084,989**	**2,137,114**	**2,190,542**	**2,245,305**	**2,301,438**	**2,358,974**
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	3,973	4,072	4,174	4,278	4,385	4,495	4,607	4,722	4,840	4,961
Commercial	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429	13,429
TOTAL OTHER INCOME	**17,402**	**17,501**	**17,603**	**17,707**	**17,814**	**17,924**	**18,036**	**18,151**	**18,269**	**18,390**
GROSS INCOME	**1,906,299**	**1,953,621**	**2,002,1[illegible]**	**2,051,843**	**2,102,803**	**[illegible],155,038**	**208,578**	**2,263,457**	**2,319,707**	**2,377,[illegible]**
Vacancy Rate : Market	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Vacancy Rate : Affordable	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Less: Vacancy Loss	75,556	77,445	79,381	81,365	83,400	85,485	87,622	89,812	92,058	94,359
EFFECTIVE GROSS INCOME	**1,830,743**	**1,876,176**	**1,922,745**	**1,970,478**	**2,019,404**	**2,069,553**	**2,120,956**	**2,173,644**	**2,227,650**	**2,283,005**
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	1,069,461	1,106,892	1,145,633	1,185,730	1,227,231	1,270,184	1,314,640	1,360,653	1,408,275	1,457,565
Ground Lease Payment	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Replacement Reserve	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350	35,350
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	9,287	9,473	9,662	9,856	10,053	10,254	10,459	10,668	10,881	11,099
TOTAL EXPENSES	**1,129,098**	**1,166,715**	**1,205,645**	**1,245,936**	**1,287,633**	**1,330,787**	**1,375,449**	**1,421,671**	**1,469,507**	**1,519,014**
NET OPERATING INCOME	**701,645**	**709,461**	**717,099**	**724,542**	**731,770**	**738,766**	**745,507**	**751,974**	**758,143**	**763,991**
DEBT SERVICE										
CHFA - 1st Mortgage	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624	311,624
CHFA - 2nd Mortage	0	0	0	0	0	0	0	0	0	0
CHFA - 3rd Mortgage										
CASH FLOW after debt service	**390,021**	**397,837**	**405,475**	**412,918**	**420,146**	**427,141**	**433,883**	**440,350**	**446,519**	**452,367**
DEBT COVERAGE RATIO	**2.25**	**2.28**	**2.30**	**2.33**	**2.35**	**2.37**	**2.39**	**2.41**	**2.43**	**2.45**
Standby Account(from D/S)										
Balance of Standby Account										
Residual Receipts										

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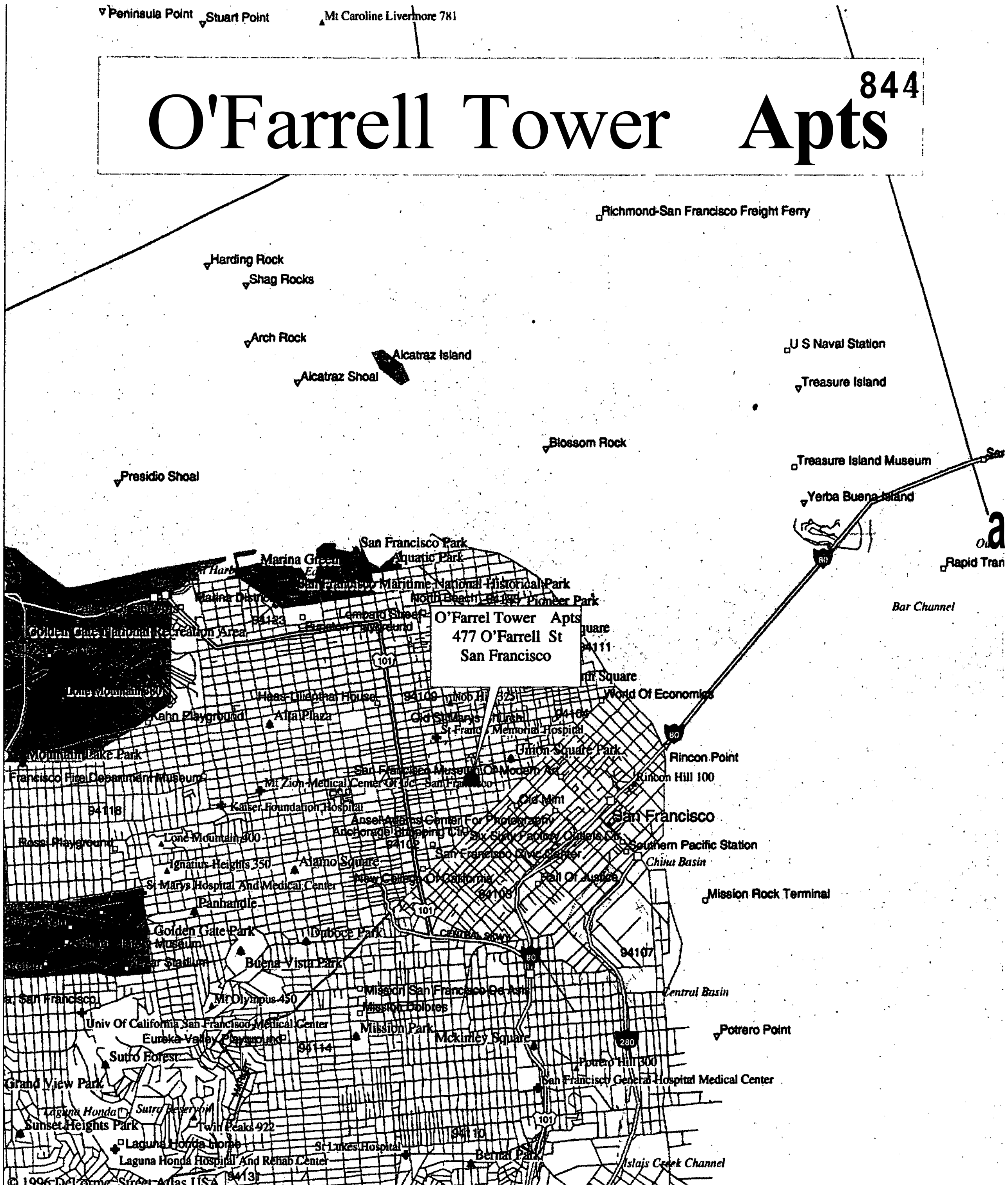
O'Farrell Tower Apts 844



Mag 13.00
Wed Apr 26 13:34 2000

Scale 1:62,500 (at center)

1 Miles

2 KM

Local Road
Major Connector
Primary State Route
Trail
Interstate/Limited Access
Toll Highway
US Highway

Railroad
Point of Interest
Summit
Geographic Feature
Hospital
Park/Reservation
MegaCity

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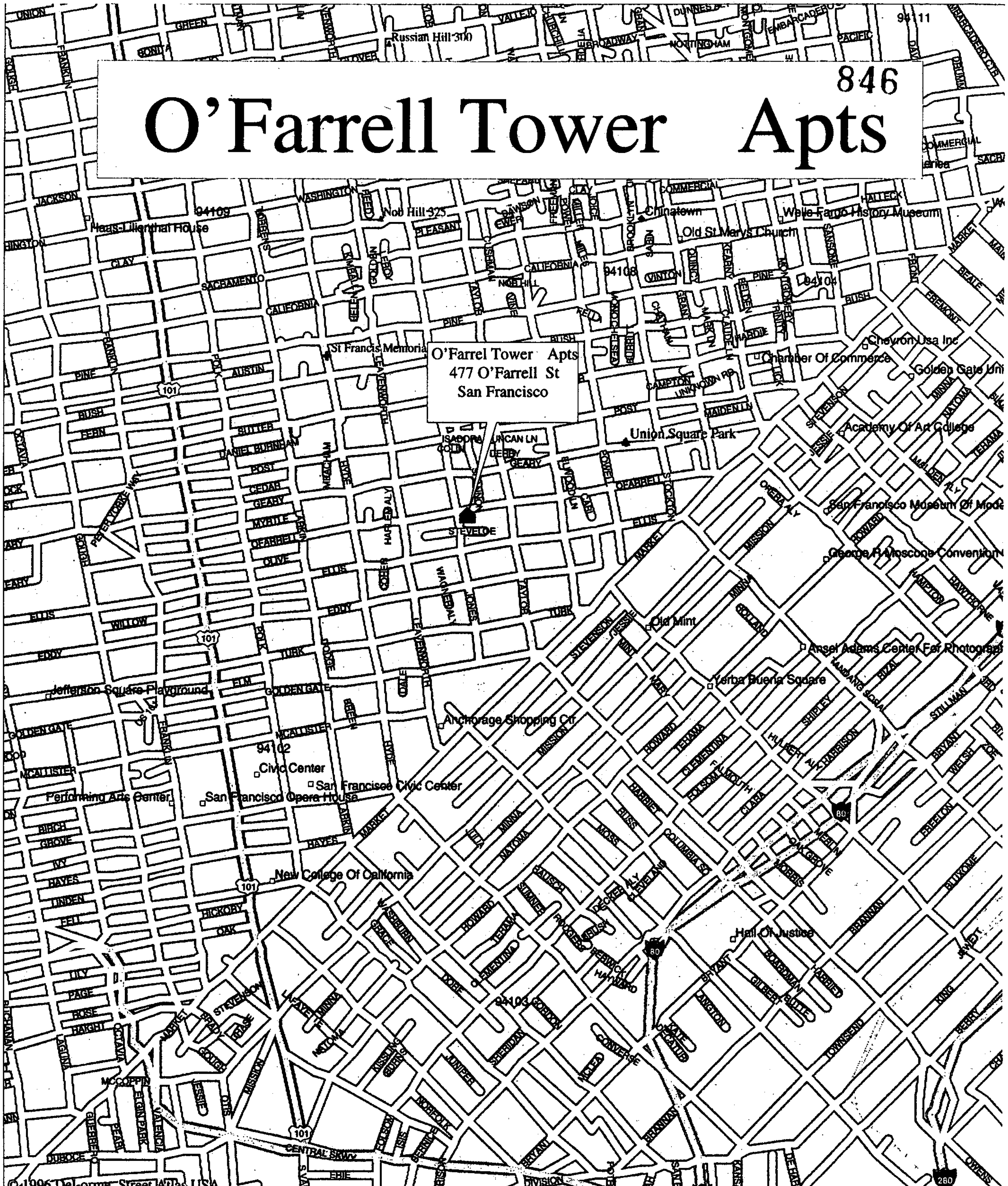

Mag 15.00
Wed Apr 26 13:37 2000

Scale 1:15,625 (at center)

1000 Feet

500 Meters

	Local Road		Summit
	Major Connector		Hospital
	Trail		Park/Reservation
	Interstate/Limited Access	4	Locale
	US Highway		Population Center
	Railroad		Water
□	Point of interest		

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RESOLUTION 00-10

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Citizens Housing Corporation, a California nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Preservation Loan Program in the mortgage amounts described herein. the proceeds of which are to be used to provide mortgage loans for a 101-unit multifamily housing development located in the City of San Francisco to be known as O'Farrell Tower Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 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 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
99-033-N	O'Farrell Tower Apartments San Francisco/San Francisco	101	$4,240,000 $2,274,000 $1,100,000

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

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

I hereby certify that this is a true and correct copy of Resolution 00-10 adopted at a duly constituted meeting of the Board of the Agency held on May 11, 2000, at Burbank, California.

ATTEST:_______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Bridge Loan
Final Commitment

Acquisition Rehabilitation
Park Place Apartments
7970 Woodman Avenue 91402
Los Angeles, California
CHFA LN # 97-036-S

SUMMARY:

This commitment request is for a tax-exempt bridge loan of $650.000. The development is Park Place Apartments. an existing 142 unit family apartment building ("the Property") in Los Angeles. California.

BRIDGE LOAN TERMS:

Bridge Loan:	$650,000
Interest Rate:	6.20%
Term:	2 year. fixed. fully amortized
Financing:	Tax-Exempt

PREVIOUS BOARD ACTION:

In September 1998, the Agency Board of Directors approved a permanent loan request for a fully amortizing loan of $4,600,000. No request has been made by the Borrower to change the terms of the Agency Permanent Loan.

BRIDGE LOAN REQUEST

The projects development costs increased by **$1,109,404** from $9,4 13,406 to $10,529,266.

In order to meet the ***50%*** bond-financing test, and to qualify for **4%** tax credits, the project needs an additional $650,000 in tax-exempt bond financing. The Agency Bridge Loan will provide the additional tax-exempt bond financing required to meet the 50% test requirement. It will also allow the project to access the additional tax credit basis generated by the cost overruns.

April **17,** 2000

CONSTRUCTION COST OVERRUNS:

Several unanticipated problems developed during construction including:

- All of the plumbing supply and waste lines were replaced. Extensive dryrot was uncovered during the re-piping and more drywall repairs were needed than originally anticipated.
- The logistics of re-piping a three-story building delayed the project by five months because all three units in each plumbing stack had to be vacant at the same time.
- The existing plywood sheer panels were too thin to meet code, and had to be replaced. This required demolition of many of the interior plaster walls. Because the plaster contained asbestos. the walls had to be removed by a licensed asbestos removal contractor.
- The lightweight concrete floors on the second and third floors were badly deteriorated and required extensive repairs.

Construction will be completed in May of 2000.

ADDITIOSAL FUNDING:

The project has secured the following additional funding:

- The City of Los Angeles Housing Department (LAHD) increased their loan to the project by S125.000 from S1,100,000 to S1,225,000.
- The borrower has deferred their entire S649.238 developer fee.
- The borrower has increased their equity contribution by S357,816. from the S400.000 to S757,816.
- The additional tax exempt bond financing will allow the Borrower to access an additional S754.672 in tax credit equity.

Project Summary

852 Date: 17-Apr-00

Project Profile:

Project :	Park Place Apartments	*Appraiser:*	Rick Beam, MAI
Location:	1970 Woodman Ave.	*Address:*	Westlake Village. CA
City:	Van Nuys		
County:	Los Angeles		
Borrower:	PPA Associates. Ltd.	*Market:*	5.500,000
GP:	Foundation for Quality Housing Opportunities Inc / Dangler Inc.	*Income:*	5,500,000
		Final Value:	5,500,000
LP:	Lehman Brothers	*CAP Rate:*	11.50%
Program:	Tar Exempt	*Loan/Cost*	55.3%
CHFA # :	97-036-S	*Loan/Value*	83.6%
		Loan/Value A&B	104.8%

Project Description:

Units	142
Hnndicnp Units	0
Bldge Type	Rehabilitation
Buildings	1
Stories	3
Gross S9 Ft	128.909
Land Sq Ft	114.563
Units/Acre	54
Total Forking	142
Covered Parking	90
Existing Age	32 years
Elevators	2

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	4,600,000	32,394	5.90%	30
City of Los Angeles	1,225,000	8.627	0.00%	30
Deferred Developer Fee	649.238	4.572	0.00%	10
Tax Credit Equity	3,297,212	23,220		
Developer Contribution	757,816	5,337		
CHFA Bridge Loan	$650,000	$4,577	6.20%	2

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	550	5	50% CHFA	392	17,950
1 BR	700	6	50% CHFA	431	20,525
2 BR	850	14	50% CHFA	514	23,075
3 BR	1000	4	50% CHFA	566	25,650
0 BR	550	17	60% TCAC	401	21,540
1 BR	700	24	60% TCAC	460	23,085
2 BR	850	57	60% TCAC	570	27,690
3 BR	1000	14	60% TCAC	710	32,010
		1	Manager	N/A	N/A
		142			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.25%	of Loan Amount	57.500	Cash
Finance Fee	1.25%	of Loan Amount	57,500	Cash
Bridge Loan Fee	1.50%	of Loan Amount	9.750	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	46,000	Letter of Credit
Rent Up Account	15.00%	of Gross Income	135,772	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	90,515	Cash
Marketing	10.00%	of Gross Income	90,515	Letter of Credit
Replacement Reserve Deposit	$700	perunit	99,400	Cash
Annual Replacement Deposit	$400	perunit	56.800	Operations
Construction Defect Security	2.5%	of Construction costs	92,051	Letter of Credit

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Executive Summary

Date: 24-Aug-98 854 786

Project Profile:

Project :	Park Place Apartments	*Borrower:*	PPA Associates, Ltd.
Location:	7970 Woodman Ave.	*GP:*	Foundation for Quality Housing
City:	Van Nuys	*LP:*	Lehman Brothers
County:	Los Angeles	*Program:*	Tax Exempt
Type:	Family	*CHFA # :*	97-036-S

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$4,600,000	$32,394
city of LAHD	$1,100,000	$7,746
Tax Credit Equity	$2,542,540	$17,905
Deferred Developer Fee	$900,866	$6,344
Developer Contribution	$400,000	$2,817
Total Development Cost	$9,643,406	$16,861

Loan to Cost
59.7%

Loan to Value
83.6%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	550	5	50% CHFA	$392	$17,950
1 BR	700	6	50% CHFA	$431	$20,525
2 BR	850	14	50% CHFA	$514	$23,075
3 BR	1000	4	50% CHFA	$566	$25,650
0 BR	550	17	60% TCAC	$401	$21,540
1 BR	700	24	60% TCAC	$460	$23,085
2 BR	850	57	60% TCAC	$570	$27,690
3 BR	1000	14	60% TCAC	$710	$32,010
		1	Manager	N/A	N/A
		142			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Acquisition Rehabilitation
Park **Place** Apartments
7970 Woodman Avenue 91402
Los Angeles, California
CHFA LN **# 97-036-S**

SUMMARY:

This commitment request is for a tax-exempt loan of **$4,600,000** which will be a fully **amortized** permanent loan for 30 years. The development is Park Place Apartments, an existing 142 unit family apartment building ("the **Property**") in Los Angeles, California.

TERMS:

1st Mortgage:	**$4,600,000**
Interest Rate:	5.90%
Term:	**30 year fixed, fully amortized**
Financing:	**Tax-Exempt**

LOCALITY INVOLVEMENT:

The borrower has *applied* to the City of Los Angeles Housing Department (LAHD) for **$1,100,000**, thirty (30) year loan for the rehabilitation of the building. The terms of the LAHD loan **are** *0%* interest, scheduled **debt, fully amortized** over the thirty year term. **LAHD's** policy is to *make* rehabilitation loans for only **20 years,** tad making the loan for a 30 year **term** will require approval of the Los Angeles City Council. To the extent *that* residual receipts **are** available, LAHD will **require** that **the** borrower **will** make additional residual receipts **amortize** the LAHD loan over 20 **years. The** CHFA commitment will be contingent upon **the** borrower receiving tht **LAHD** loan at **the terms discussed above.**

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MARKET:

Market Overview The Agency commissioned a Market Study by Market Profiles dated January 1998. CHFA also commissioned an appraisal by Rick Beam and Co., which is dated February 9, 1998. The following information is drawn from these sources.

The subject property is located in the San Fernando Valley in the City of Los Angeles in the Van Nuys neighborhood. The Primary Market Area is defined as the area from which 80% of the prospective tenants will be drawn. The PMA boundaries are :

on the west :Tampa Boulevard(7 miles)
OR the east: Vineland (3.5 miles)
OR the north: 118 Freeway (35 miles)
on the south: 101 Freeway (4 miles)

The PMA includes the following communities and neighborhood: Van Nuys, Pacomia, Lake View Terrace, Arleta, Sepulveda/Mission Hills, North Hills, Reseda, Northridge, and Granada Hills. Market Profiles field survey was subdivided into two samples: 1) projects in the same neighborhood as the subject property (generally one square mile) and projects within the PMA. These subsets are referred to as the "neighborhood" and "other PMA" areas.

A total of 23 existing apartment projects were surveyed, comprising 2,223 units. Of these, 17 projects (1,860 units) are market rate, and six projects (363 units) arc family Low Income Housing Tax Credit ("tax credit") projects.

The median income for the PMA is estimated to lk $36,794. This is 10.7% higher than the City of Los Angeles, *yet* it is below the statewide median income figure of $41,437. The subject project will be targeting households earning between $12,420 and $30,780 per year. More than a quarter (28.3%) of the 208,885 households that reside in the PMA fall within these income ranges. Nearly three quarters (73%) of this household subgroup arc projected to be renters.

On site managers report that tenants in the "neighborhood" work at Kaiser Permanente Hospital and other local medical centers; small local restaurants; grocery stores; maintenance jobs (carpet cleaners, pool cleaners, gardeners); domestics; Los Angela Times plant; and the DMV.

Reported annual turnover among the 17 market rate projects is low against Southern California standards, averaging 34% of the units per year in the "neighborhood" submarket and 29% in the "other PMA" sampling. On-site management for the subject project reported a turnover of 34% in 1997.

Housing Supply Multifamily construction in the city and county fell sharply in 1990 and 1991. The number of multi-family units receiving permits in the County fell from 13,019 in 1990 to 1,462 in 1992. Multifamily construction continued to be weak in 1997 with 1,776 units receiving permits

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through November 1997. Construction activity was projected to increase from 1998 to 2000 in response to growing demand and low vacancy rates but recent articles in the Los Angeles Times indicate that new construction permits arc not rising above the number granted in 1997 due to the lack of buildable land.

The PMA has a large base of existing apartment product, based on an extrapolation of Census data. Units in structures with two or more dwelling units (net of condos) account for 95,513 of the total 239,983 units in the Van Nuys PMA, or 40% of the housing stock.

Market Profiles' interviews with local community development staff and review of tax credit allocations identified four tax credit projects are under construction or pending development/ substantial rehab. These projects represent the pending/proposed addition of 137 units to the existing tax credit stock All four of the proposed tax credit projects are in locations inferior to the subject project. Two of the four, like the subject project, are substantial rehabs.

Apartment Demand Apartment unit demand is significantly influenced by the strength of the regional economy. In mid-1990, after a positive employment trend from 1984-1990, employment in the county suffereda significant decline which continued through 1993 caused by the combined effects of national defense-sector cutbacks and the national economic recession. The county's economy began to recover in 1995 witb total employment increasing by 1.2%. The pace of growth increased in 1996 and 1997 with employment growing by 1.5% and 1.9% respectively. The current economic outlook for the county is expected to be positive for at least the next five years. The county is projected to add jobs at a rate of 2% per year in 1998 and 1999 due to growth in defense spending, foreign trade, and the entertainment industry, although recently the Los Angeles Times has been reporting slower job growth due to the Asian economic crisis.

Occupancy rates in the County were 96% as of the third quarter of 1997. The occupancy level among the 17 surveyed market-rate projects audited is 95.6%. The subject project has been operating at 95% occupancy in the last several years in spite of significant deferred maintenance. Projects in the "neighborhood" sample are obtaining even higher occupancy (97.7%). The perception of softness in the Van Nuys apartment market (perhaps heightened by banners advertising concessions) was not borne out in the field audit., nor in other periodic surveys of the ana we reviewed. Occupancy rates are strong and rising, particularly in the better communities within the PMA.

The six tax credit projects surveyed are at 100% occupancy. Most report waiting lists, and very low turnover (6%), which reflect pent-up demand. Like the subject property, 79% of the tax credit projects have rent set at 50% and 60% at AMI which provide a good basis for comparison. Significantly, the tax credit projects performed well in this market regardless of location.

Units in the subject property are equal in size or significantly larger (by 15% and 28%) than the units in all of the tax credit and market rate projects surveyed by Market Profiles.

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The subject project's rents will be lower than rents for market rate. Rents at the project for 50% AMI range from 12% to 30% below the market, and rents at 60% AMI range from 10% to 15% below market.

Market Profiles' concluded that based on existing and pending supply conditions the subject project is well situated to compete on both product type and pricing. In light of projected leasing volumes in the PMA and the expectation that some of the current tenants will be able to remain, the project is forecast to reach stabilized *(95%)* occupancy within 4 months of completion.

Demand for the subject project was calculated *against* existing and new household base in the PMA screening for 1) the target income band; 2) proportion of rental households within the target income band; and 3) turnover derived from Market Profiles' field audit of comparable projects. Annual leasing volume for units in the 50% *to* 60% AM income ranges targeted by the subject project is forecast to total 15,018 units. The subject project will require a very modest *0.9%* share of the income and tenure-qualified (e.g. net effective) leasing volume. Market Profiles considers this to be an easily attainable capture rate, particularly given 100% *occupancy* in all existing LIHTC projects in the area and the subject project's price discounting against market rents.

Unit Type	Subject Project	Market Rent	Difference
50% AMI			
Studios	$392	$443	$51
One Bedroom	$431	$539	$108
Two Bedroom	$514	$712	$198
Three Bedroom	$566	$850	$284
60% AMI			
Studios	$401	$443	$42
One Bedroom	$460	$539	$79
Two Bedroom	$570	$712	$142
Three Bedroom	$710	$850	$140

Market Conclusion

The subject project will be well positioned to meet the demand for affordable family rental housing in terms of pricing. Project rents will be 10% to 30% below the weighted market average for like floor plans and projects. Unit sizing will generally be larger *than* market norms; project/unit features and amenities generally comparable to market as well as *other* LIHTC projects; and the subject project's location is superior to most of the existing LIHTC projects in the Van Nuys PMA.

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Family LIHTC projects built to date in the Van Nuys PMA have been characterized by rapid absorption, witb several projects 90% to 100% pre-leased to completion.

The subject's 142 units offend at 50% and 60% AMI rents would require a penetration of nine/tenths of one percent (.9%) of the projected demand within the narrowly defined target income range. There is a very large existing stock of rental units in this market. However, most of the stock is very old, and any project that offers new or like-new (rehab) product will have a Significant competitive advantage.

SITE AND PROJECT:

The property is approximately two miles east of the San Diego Freeway. It is located at the northeast comer of Woodman Avenue and Strathern Street in the City of Los Angeles, CA. The site is currently zoned for R3-1 (multi-family residential). The property is 2.63 acres and is located in the neighborhood of Van Nuys of Los Angela, CA.

The property is bounded by multi-family residences immediately to the north, Strathern Street to the south, Woodman Avenue to the west and by a Kaiser Permanente parking lot to the cast. It is surrounded by a well-maintained single family neighborhood.

The 32 year old property consists of primarily one (1) apartment building and several carports. There are 142 units of larger than average size that are situated around a landscaped central courtyard with an outdoor pool and jacuzzi. The main apartment building is a three-story wood frame building set on a slab foundation. On the grounds is an indoor pool, a laundry room, and several small storage rooms for residents and maintenance workers. All of the buildings exhibit signs of deferred maintenance and require significant renovation.

The property has 142 parking spaces. Parking for the building tenants consists of fifty-two (52) open spaces and ninety (90) covered spaces.

PLANNED REHABILITATION:

A Physical Needs Assessment was conducted for the Agency by McCulloch Architects, consulting Architect on January 21 and 26,1998. The Physical Needs Inspection entailed a visual evaluation of the project site, apartment building exterior, roofs, tuck under parking, service and common areas, including the interiors of 33 apartment units, pool, jacuzzi, laundry, and recreational building.

The project was constructed in 1965 and minimally maintained over the past 32 years. As detailed below an estimated budget of $2,281,000 or approximately $16,000 per unit will be required to complete the rehabilitation to current CHFA and building code standards. Construction of the improvements will require ught to twelve months to complete.

The following is a brief *summary* of the scope of work items that need to be performed:

<u>Interior Work</u>. Provide all units with new doors, kitchen cabinets, dishwashers, and counters. All galvanized plumbing will k replaced. The majority of the units will also quire interior painting. 50% of the units will require new ceilings. 50% of the stoves will k new, and there will be new refrigerators and garage disposals in all units. Major work is anticipated in the kitchens and bathrooms. Most units will also need new water beaten, 50% of the units will need new heaters, and all units will need new air conditioners.

<u>Exterior Work</u>. The existing roof will be replaced *All* exterior walls will be painted and the architecturally dated facade will k updated. *All* asbestos in the stucco will be encapsulated as required by an environmental consultant. Carports will be improved with new roofing. Site lighting will be added. Exterior decks will be rebuilt or repaired as necessary. *All* existing glass sliding doors will be replaced with tempered glass. Some windows will be replaced with tempered glass.

<u>Site Work</u>. The project will receive new landscaping and irrigation, and new hardscape in the courtyards. Site drainage repairs will be made.

<u>Seismic Repairs</u>. A seismic risk assessment by Dames and Moore recommended a variety of seismic repairs, including removing all of the existing sheathing on the apartment and the carport roofs and re-nailing the roof. In addition, the apartment roof will be re-sloped to a minimum of 3/8" per foot in order to drain rain water. Secondly, *shear* walls will be added throughout the corridors and moment frames will be developed in the tuck under parking area as required by the Dames and Moore.

<u>Common Area Work</u>. The indoor pool will be filled and converted into a recreation room for the children in the development. The recreation room will have *gym* equipment and classroom space. The existing community room will be renovated, and a kitchen will be added. Two handicapped accessible bathrooms will be added adjacent to the recreation room and *laundry* room. The outdoor pool and jacuzzi are in good condition and will k serviced as needed. The existing courtyard, perimeter landscape and hardscape are in poor condition and will be replaced. All corridors will be painted, carpeted and will receive new lighting. Tbe existing fire alarm system in the halls will be upgraded. The asphalt paving is deteriorating and requires some replacement. The developer intends to build new trash enclosures and is currently evaluating the feasibility of adding trash chutes.

'The applicant provided an ADA/Title 24 report which outlined the required modifications for compliance providing handicapped van parking, creating a path of travel *to* manager's office, modifying the main entrance and providing compliant signage.

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OCCUPANCY RESTRICTIONS:

CHFA: 20% of the units will be restricted to households with incomes no greater than 50% of the Area Median Income.

Tax Credits: 100% of the units will k restricted to households with incomes no greater than 60% of the area median income.

city 20% of the units will be restricted to households with incomes no greater than 50% of the area median income for a period of 5 years, and

80% of the units will k restricted households with incomes no greater than 65% of the area median income for a period of 5 years.

ENVIRONMENTAL:

Barr & Clark, Independent Environmental Testing performed a Phase I- Environmental Site Assessment on the subject property in January 17,1998. Tbe Phase I did not identify any potential environmental hazards.

CHFA commissioned Ban and *Clark* to perform both a comprehensive lead-based paint survey and an asbestos survey. The January 15,1998 lead-based report stated that the results of the lead based paint test wen negative and no further testing or abatement is necessary.

On January 14,1998 Barr and *Clark* conducted the limited asbestos survey. It reported a limited presence of asbestos at the site.

Asbestos was found in the window putty, roofing mastic, and magnisite. Because these materials are in a damaged state, they should k repaired or removed as soon as possible. The asbestos remediation plan requires that the asbestos containing material k disposed of by a prequalified, registered and certified asbestos abatement contractor.

Asbestos was also found in the acoustic ceiling, wallboard, mastic, and exterior stucco. The condition of this asbestos was "good" and no action is required at this time.

The Agency will require an Operations and Maintenance Plan of all the asbestos containing material on the property.

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ARTICLE XXXIV:

An acceptable opinion letter will be required before loan close.

BORROWERS PROFILE:

PPA Associates, LTD, is a limited partnership. The general partners are Foundation for Quality Housing, Inc. a Delaware corporation, and Dangler Inc., a California corporation. Both Foundation for Quality Housing Opportunities, Inc. and Dangler bc. are located in North Hollywood CA. The limited partners will be Lehman Financial.

Helen Braverman is the President, and Seymour Bravermen and Gay Braverman are vice-presidents of Dangler, Inc.

In 1989, the Foundation was incorporated as a non-profit public foundation corporation to construct and renovate low-income housing for persons of limited financial means. The Board members of the Foundation are Helen Braverman, Gary Braverman and Seymour Braverman.

The Foundation is experienced in developing low and moderate income busing. Since its 'inception it has developed and rehabilitated 397 units in nine projects in California The Foundation is currently the Managing General Partner of eight existing partnerships and is the sole owner of an eighteen Unit family complex. With tax-exempt financing provided through the California Housing Finance Agency the Foundation has been able to construct two multi-family apartments: Vista Valle Townhouses, Claremont, CA and Hidaway Apartments, Santa Clarita, CA.

At Vista Valle Townhomes, in conjunction with the National Council of Negro Women, Inc., and the Vista Del Valle School, the Foundation established an after school tutoring and counseling program to both the children of its tenants as well as those of the other children in the immediate neighborhood. The program has been successful for over two years and has recently expanded to include computer educational programs. The Foundation is planning to develop a similar after school tutoring and counseling program for children at the subject property.

The Foundation has been recognized repeatedly for it's commitment to excellence in affordable housing. In recognition of its Senior Housing Program, the Los Angela Times awarded the Foundation with 8 1993 Community Partnership Awards. In 1996, the Foundation received an Award of Excellence from the City of Claremont for its involvement in the city sponsored Vista Valle Townhomes project.

The Foundation has established a Home Buyer Down Payment Assistance program, providing in the last two years over $200,000 in down payments assistance to help first time buyers purchase homes. As a condition of participating in this program, the assisted home buyer is required to provide a specified amount of community service in the area they are purchasing their future home.

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In addition, the Foundation provides rent subsidies to individual tenants from income generated through donations and its share of the project cash flows. This supplement is intended to assist tenants already receiving governmental assistance retain adequate and affordable housing after experiencing a decline in their income.

CONTRACTOR

E.G. Bowen Company, Inc. is the contractor for this project. The company is located in La Crescenta, CA. It was founded in 1923. The company has constructed many major buildings, focusing on restaurants, shopping centers, and other commercial projects. In some sixty years of operation in Southern California, the company has never failed to complete a project nor required the bonding company to act in its behalf to complete a project. E.G. Bowen was the contractor for Vista Valle Townhomes. The company will be signing a lien and completion bond / performance bond per a Los Angeles Housing Department requirement.

ARCHITECT:

The lead architect for this project is Gene Dvoretzky of Matlin Dvoretzky Partners, an architectural firm located in Santa Monica, CA. The firm has been in business for over thirty years and has previous experience in constructing and rehabilitating multi-family affordable housing projects. The firm's excellence in design has often been acknowledged through both an Honor Award and an Award of Merit from the National American Institute of Architects. Gene Dvoretzky was the architect for Vista Valle Townhomes.

MANAGEMENT AGENT:

The management company is Dangler Inc., which is located in North Hollywood, CA. Dangler Inc. was incorporated in 1982 in order to provide property management services for low and moderate income housing projects, both conventional and subsidized, located mainly in the greater Los Angeles area. The firm has been involved in projects overseen by the California Housing Finance Agency, various housing authorities, the RTC, and other governmental agencies, including the City of Los Angeles and the County of Los Angeles. Dangler currently manages 430 senior and family units throughout Southern California.

Project Summary

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797

Date: 24-Aug-98

Project Profile:

Project: Park Place Apartments
Location: 7970 Woodman Ave.
City: Van Nuys
County: Los Angeles
Borrower: PPA Associates, Ltd.
GP: Foundation for Quality Hous
Opportunities Inc / Dangler I
LP: Lehman Brothers

Program: Tax Exempt
CHFA #: 97-036-S

Appraiser: Rick Beam, MAI
Address: Westlake Village, CA

Market: 5,500,000
Income: 5,500,000
Final Value: 5,500,000
CAP Rate: 11.50%

Loan/Cost 59.7%
Loan/Value 83.6%

Project Description:

Units	142
Handicap Units	0
Bldgs Type	Rehabilitation
Buildings	1
Stories	3
Gross Sq Ft	128,909
Land Sq Ft	114,563
Units/Acre	54
Total Parking	142
Covered Parking	90
Existing Age	32 years
Elevators	2

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	4,600,000	32,394	5.90%	30
City of LAHD	1,100,000	7,746	0.00%	30
Deferred Developer Fee	900,866	6,344	0.00%	10
Tax Credit Equity	2,542,540	17,905		
Developer Contribution	400,000	2,817		

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	550	5	50% CHFA	392	17,950
1 BR	700	6	50% CHFA	431	20,525
2 BR	850	14	50% CHFA	514	23,075
3 BR	1000	4	50% CHFA	566	25,650
0 BR	550	17	60% TCAC	401	21,540
1 BR	700	24	60% TCAC	460	23,085
2 BR	850	57	60% TCAC	570	27,690
3 BR	1000	14	60% TCAC	710	32,010
		1	Manager	N/A	N/A
		142			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.25%	of Loan Amount	57,500	Cash
Finance Fee	1.25%	of Loan Amount	57,500	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	46,000	Letter of Credit
Rent Up Account	15.00%	of Gross Income	135,772	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	90,515	Cash
Marketing	10.00%	of Gross Income	90,515	Cash
Replacement Reserve Deposit	$700	per unit	99,400	Cash
Annual Replacement Deposit	$400	per unit	56,800	Operations
Construction Defect Security	0.025	of Construction cos	57,028	Letter of Credit

Sources and Uses

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	4,600,000	48.20%	85.68	82,394
city of LAHD	1,100,000	11.53%	8.53	7,746
Total Institutional Financing	**5,700,000**	**59.73%**	**44.22**	**40,141**
Equity Financing				
Deferred Developer Fee	900,866	9.44%	6.99	6,344
Tax Credit Equity	2,542,540	26.64%	19.72	17,905
Developer Contribution	400,000	4.19%	8.10	2,817
Total Equity Financing	3,843,406	40.27%	28.81	27,066
TOTAL SOURCES	9,543,406	100.00%	74.03	67,207

USES:

Acquisition	6,000,000	52.39%	38.79	35,211
Rehabilitation	2,281,100	23.90%	17.70	16,064
New Construction	0	0.00%	0.00	0
Architectual Fees	62,600	0.55%	0.41	370
Survey and Engineering	6,850	0.06%	0.05	41
Const. Loan Interest & Fees	559,997	3.77%	2.79	2,535
Permanent Financing	133,500	1.40%	1.04	940
Legal Fees	60,000	0.52%	0.39	852
Reserves	294,847	3.09%	2.29	2,076
Appraisal costs	11,550	0.12%	0.09	81
Construction Contingency	200,000	2.10%	1.65	1,408
Local Fees	6,000	0.05%	0.04	35
TCAC App. / Environ / Audit	92,481	0.97%	0.72	651
Developer Costs	1,056,481	11.07%	8.20	7,440
TOTAL USES	**9,543,406**	**100.00%**	**74.03**	67,207

867
799

Annual Operating Budget

		% of total	$ per unit
INCOME:			
Total Rental Income	891,516	98.5%	6,278
Laundry	13,632	1.5%	96
Gross Potential Income	905,148	100.0%	6,374
Less:			
Vacancy Loss	45,257	5.0%	319
Total Net Revenue	859,891	95.0%	6,056
EXPENSES:			
Payroll	76,847	9.5%	541
Administrative	91,156	11.2%	642
Utilities	80,000	9.9%	563
Operating and Maintenance	92,945	11.5%	655
Insurance and **Business** Taxes	38.917	4.8%	274
Taxes and Assessments	10,939	1.3%	77
Reserve for Replacement **Deposits**	56,800	7.0%	400
Subtotal **Operating Expenses**	447,604	55.1%	3,152
Mortgage Payments (1st loan)	327,411	40.3%	2,306
Mortgage Payments **(LAHD Loan)**	36,667	4.5%	258
Total *Financial*	364,078	44.9%	2,564
Total Project **Expenses**	811,682	100.0%	5,716

UNIT MIX & RENT STRUCTURE — Park Place Apartments

Residential Units

	Per Unit Square Feet	Total Number of Units	Rent per Unit/Mo	Utility Allow per Unit/Mo	Net Rent per Unit/Mo w/o utility	Restricted Rent w/o utility	Market Rent per Unit/Mo w/o utility	Market Premium Over Net Rent w/o utility $	%	Monthly Income
Note: Averages require blank cells rather than zeros, zero values will be bring down the actual averages										
50% CHFA										
Manager										-
0 BR	550	5	427	35	392	449	443	51	13%	1,960
1 BR	700	6	480	49	431	513	539	108	25%	2,586
2 BR	850	14	576	62	514	577	712	198	39%	7,196
3 BR	1,000	4	641	75	566	641	850	284	50%	2,264
4 BR										-
5 BR										
Subtotal or Weighted Avg.	788	29	539	56	483	550	649	166	32.95%	14,006
60% TCAC										
Manager	850	1								-
0 BR	550	17	436	35	401	539	443	42	10%	6,817
1 BR	700	24	509	49	460	577	539	79	17%	11,040
2 BR	850	57	632	62	570	692	712	142	25%	32,490
3 BR	1000	14	785	75	710	800	850	140	20%	9,940
4 BR										-
5 BR										-
Subtotal or Weighted Avg.	792	113	590	56	534	652	646	112	20.23%	60,287
60% TCAC										
Manager						-				-
0 BR							443			-
1 BR							539			-
2 BR							712			-
3 BR							850			-
4 BR										-
5 BR										-
Subtotal or Weighted Avg.	-		-	-	-	-	-	-		-
SUBTOTAL SUBSIDIZED	791	142	579	56	523	631	646	123	22.83%	74,293
Market Rate Units										
Manager										-
0 BR										-
1 BR										-
2 BR							712			-
3 BR							850			-
4 BR										-
5 BR										-
Subtotal or Weighted Avg.	-		-	-	-	-	-	-		-
GRAND TOTAL OR W. AVG.	791	142	579	56	523		646	123	22.83%	74,293

Commercial Space:

Commercial Space	Per Unit Square Feet	Total Number of Units	Total Square Feet	Rent per Sq Ft/Mo	Monthly Rent
Commercial Space 1					$ -
Commercial Space 2					$ -
Commercial Space 3					$ -
—					$ -

Laundry:

Per Unit	Total Monthly	
$ 8.00	$ 1,136	$ 13,632

Other:

Per Unit	Total Monthly
$ -	$ -

869 801

Cash Flow Park Place Apartm CHFA # 97-036-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	891,516	913,804	936,649	960,065	984,067	1,008,669	1,033,885	1,059,732	1,086,226	1,113,381
TOTAL RENTAL INCOME	**891,516**	**913,804**	**936,649**	**960,065**	**984,067**	**1,008,669**	**1,033,885**	**1,059,732**	**1,086,226**	**1,113,381**
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	13,632	13,973	14,322	14,680	15,047	15,423	15,809	16,204	16,609	17,025
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**13,632**	**13,973**	**14,322**	**14,680**	**15,047**	**15,423**	**15,809**	**16,204**	**16,609**	**17,025**
GROSS INCOME	**905,148**	**927,777**	**950,971**	**974,745**	**999,114**	**1,024,092**	**1,049,694**	**1,075,937**	**1,102,835**	**1,130,406**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	45,257	46,389	47,549	48,737	49,956	51,205	52,485	53,797	55,142	56,520
EFFECTIVE GROSS INCOME	**859,891**	**881,388**	**903,423**	**926,008**	**949,158**	**972,887**	**997,209**	**1,022,140**	**1,047,693**	**1,073,886**
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	379,865	395,060	410,862	427,296	444,388	462,164	480,650	499,876	519,871	540,666
Replacement Reserve	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800
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	10,939	11,158	11,381	11,609	11,841	12,078	12,319	12,566	12,817	13,073
TOTAL EXPENSES	**447,604**	**463,017**	**479,043**	**495,706**	**513,029**	**531,041**	**549,769**	**569,242**	**589,488**	**610,539**
NET OPERATING INCOME	**412,287**	**418,371**	**424,380**	**430,303**	**436,129**	**441,846**	**447,440**	**452,898**	**458,205**	**463,346**
DEBT SERVICE										
CHFA - A Loan	327,411	327,411	327,411	327,411	327,411	327,411	327,411	327,411	327,411	327,411
CHFA - B Loan	0	0	0	0	0	0	0	0	0	0
City of LAHD	36,667	36,667	36,667	36,667	36,667	36,667	36,667	36,667	36,667	36,667
CASH FLOW after debt	**48,209**	**54,293**	**60,302**	**66,225**	**72,051**	**77,768**	**83,362**	**88,820**	**94,127**	**99,268**
DEBT COVERAGE	**1.13**	**1.15**	**1.17**	**1.18**	**1.20**	**1.21**	**1.23**	**1.24**	**1.26**	**1.27**

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	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,141,216	1,169,746	1,198,990	1,228,965	1,259,689	1,291,181	1,323,461	1,356,547	1,390,461	1,425,222
TOTAL RENTAL INCOME	**1,141,216**	**1,169,746**	**1,198,990**	**1,228,965**	**1,259,689**	**1,291,181**	**1,323,461**	**1,356,547**	**1,390,461**	**1,425,222**
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	17,450	17,886	18,334	18,792	19,262	19,743	20,237	20,743	21,261	21,793
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**17,450**	**17,886**	**18,334**	**18,792**	**19,262**	**19,743**	**20,237**	**20,743**	**21,261**	**21,793**
GROSS INCOME	**1,158,666**	**1,187,633**	**1,217,323**	**1,247,757**	**1,278,950**	**1,310,924**	**1,343,697**	**1,377,290**	**1,411,722**	**1,447,015**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	57,933	59,382	60,866	62,388	63,948	65,546	67,185	68,864	70,586	72,351
EFFECTIVE GROSS INCOME	**1,100,733**	**1,128,251**	**1,156,457**	**1,185,369**	**1,215,003**	**1,245,378**	**1,276,512**	**1,308,425**	**1,341,136**	**1,374,664**
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	562,293	584,785	608,176	632,503	657,803	684,115	711,480	739,939	769,537	800,318
Replacement Reserve	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800
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	13,335	13,601	13,873	14,151	14,434	14,722	15,017	15,317	15,624	15,936
TOTAL EXPENSES	**632,428**	**655,186**	**678,849**	**703,454**	**729,037**	**755,638**	**783,297**	**812,056**	**841,960**	**873,054**
NET OPERATING INCOME	**468,305**	**473,065**	**477,608**	**481,915**	**485,966**	**489,740**	**493,216**	**496,369**	**499,176**	**501,610**
DEBT SERVICE										
CHFA - A Loan	327,411	327,411	327,411	327,411	327,411	327,411	[illegible]	327,411	327,411	327,411
CHFA - B Loan	0	0	0	0	0	0	[illegible]	0	0	0
City of LAHD	36,667	36,667	36,667	36,667	36,667	36,667	[illegible]	36,667	36,667	36,667
CASH FLOW after debt servic	**104,227**	**108,987**	**113,530**	**117,837**	**121,888**	**125,662**	1	**132,291**	**135,098**	**137,532**
DEBT COVERAGE	**1.29**	**1.30**	**1.31**	**1.32**	**1.33**	**1.35**	[illegible]	**1.36**	**1.37**	**1.38**

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	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,460,853	1,497,374	1,534,808	1,573,179	1,612,508	1,652,821	1,694,141	1,736,495	1,779,907	1,824,405
TOTAL RENTAL INCOME	1,460,853	1,497,374	1,534,808	1,573,179	1,612,508	1,652,821	1,694,141	1,736,495	1,779,907	1,824,405
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	22,338	22,896	23,468	24,055	24,657	25,273	25,905	26,552	27,216	27,897
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	22,338	22,896	23,468	24,055	24,657	25,273	25,905	26,552	27,216	27,897
GROSS INCOME	1,483,190	1,520,270	1,558,277	1,597,234	1,637,165	1,678,094	1,720,046	1,763,047	1,807,123	1,852,302
Vacancy Rate : Market	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	74,160	76,014	77,914	79,862	81,858	83,905	86,002	88,152	90,356	92,615
EFFECTIVE GROSS INCOME	1,409,031	1,444,257	1,480,363	1,517,372	1,555,306	1,594,189	1,634,044	1,674,895	1,716,767	1,759,687
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	832,331	865,624	900,249	936,259	973,709	1,012,658	1,053,164	1,095,291	1,139,102	1,184,666
Replacement Reserve	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800	56,800
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	16,255	16,580	16,911	17,250	17,595	17,947	18,306	18,672	19,045	19,426
TOTAL EXPENSES	905,386	939,004	973,961	1,010,309	1,048,104	1,087,404	1,128,270	1,170,762	1,214,947	1,260,892
NET OPERATING INCOME	503,645	505,253	506,403	507,063	507,202	506,785	505,774	504,133	501,820	498,794
DEBT SERVICE										
CHFA - A Loan	327,411	327,411	327,411	327,411	327,411	327,411	327,411	327,411	327,411	327,411
CHFA - B Loan	0	0	0	0	0	0	0	0	0	0
City of LAHD	36,667	36,667	36,667	36,667	36,667	36,667	36,667	36,667	36,667	36,667
CASH FLOW after debt servic	139,567	141,175	142,324	142,985	143,124	142,707	141,696	140,055	137,742	134,716
DEBT COVERAGE	1.38	1.39	1.39	1.39	1.39	1.39	1.39	1.38	1.38	1.37

PARK PLACE APARTMENTS, VAN NUYS (REGIONAL)

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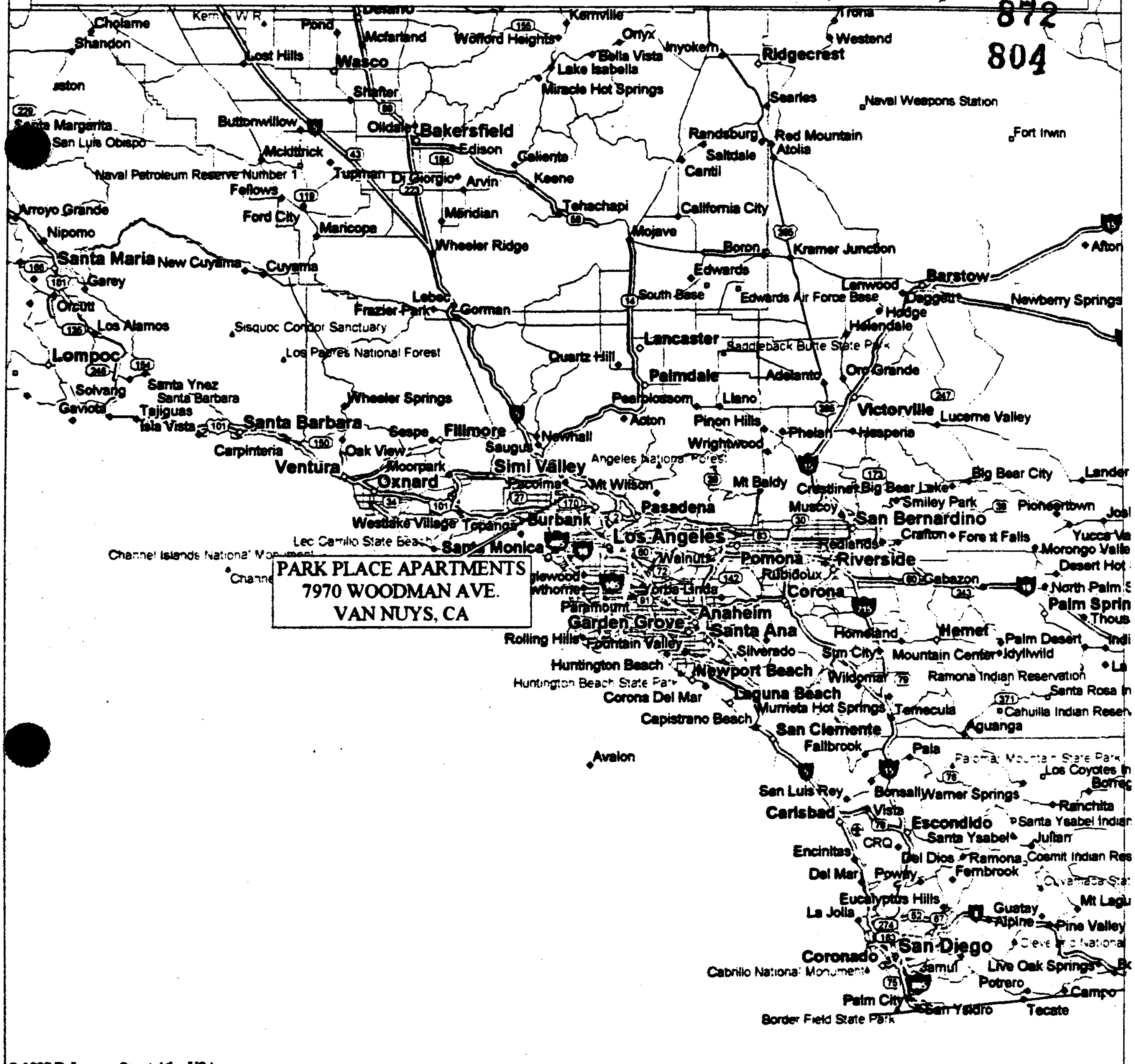
804



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Mag 8.00
Wed Aug 26 12:47 1998
Scale 1:2,000,000 (at center)

20 Miles

50 KM

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

873

805

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PARK PLACE APARTMENTS, VAN NUYS (LOCAL)

806

Mag 15.00
Wed Aug 26 12161998
Scale 1:15,625 (at center)

1000 Feet

500 Meters

Local Road
Major Connector
Interstate/Limited Access
Exit
Railroad
Hospital
Locale
River/Canal

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RESOLUTION 98-30

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

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

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 24,1998 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on June 23,1997, the Executive Director bas exercised the authority delegated to him/her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
97-036-S	Park Place Apartments Van Nuys/Los Angeles	142	$4,600,000

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2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is bereby authorized to modify 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 changes in aggregate mortgage mount of more than seven percent (7%), must be submitted to the Board for approval. "Material modifications" as used herein means modifications which, in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 98-30 adopted at a duly constituted meeting of the Board of the Agency held on September 10, 1998, at Los Angeles, California.

ATTEST:________________
Secretary

RESOLUTION 00-11

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

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

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 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 August 17. 1998. the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW. THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
97-036-S	Park Place Apartments Van Nuys/Los Angeles	142	$650.000

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

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

I hereby certify that this is a true and correct copy of Resolution 00-11 adopted at a duly constituted meeting of the Board of the Agency held on May 11, 2000, at Burbank. California.

ATTEST:________________
Secretary

MEMORANDUM

Board of Directors Date: April 27, 2000

Ken Carlson, Director of Financing
From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: INCREASED AUTHORITY FOR MULTIFAMILY BORROWING: AMENDMENT OF RESOLUTIONS 00-05A AND 00-06A AND APPROVAL OF THE FORM OF INDENTURE FOR COMMERCIAL PAPER; RESOLUTION 00-12

In order for the Agency to fund the proposed acquisition of Fannie Mae's large Section 236 loan portfolio, it will be necessary for the Board to approve amendments to the January financing resolutions. These amendments, if adopted, would authorize the Agency to borrow up to $600 million to acquire existing multifamily loans. In addition, authority to enter into short-term credit facilities for the purpose of acquiring loans on an interim basis would be increased by $600 million, from $250 million to $850 million.

In order to effectuate these increased authorizations, both Resolutions 00-05A (Single Family) and 00-06A (Multifamily) need to be amended. The single family resolution needs to be amended because it contains a cross-reference to the multifamily resolution limiting our ability to enter into short-term credit facilities.

Staff has begun to discuss with the State Treasurer's Office the most effective means for such a large relatively short-term taxable borrowing, including whether use of the State investment pool as an interim source of funds would be appropriate. Regardless of any decision about use of the investment pool, CHFA needs to have in place the full range of viable financing alternatives. One of several alternatives would be the issuance of commercial paper, a highly flexible form of interim borrowing commonly used by corporations (and by the State of California) to access the short-term capital markets.

Attached for Board approval is the form of an indenture for the issuance of asset-backed commercial paper for the purpose of financing the Section 236 portfolio. In addition to the pledge of the loans, we anticipate that any CHFA commercial paper would be backed by our double-A-rated general obligation. As with our variable rate demand bonds, we would also need to enter into agreements with financial institutions to provide liquidity in the unlikely event that we could not issue new commercial paper to replace any that was maturing.

Resolution 00-12, if adopted, would amend the January resolutions and authorize the commercial paper indenture.

Attachments

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RESOLUTION NO. 00-12

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY TO FACILITATE THE AFFORDABLE HOUSING PRESERVATION ACTIVITES OF THE AGENCY BY AMENDING RESOLUTION NO. 00-05A AND RESOLUTION NO. 00-06A TO AUTHORIZE THE ISSUANCE OF COMMERCIAL PAPER AND OTHER OBLIGATIONS FOR THE PURPOSE, AMONG OTHERS, OF ACQUIRING EXISTING MORTGAGE LOANS THAT FINANCE EXISTING DEVELOPMENTS

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the acquisition, construction, development or preservation of multifamily rental housing developments that provide housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program to make or acquire. or to make loans to lenders to make or acquire, mortgage loans that finance such developments;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the California Health and Safety Code (the "Act"), the Agency has the authority to issue bonds (including notes and other evidences of indebtedness) to provide sufficient funds to finance such program;

WHEREAS, on January 20,2000 the Agency adopted its Resolution No. 00-06A authorizing the issuance of Bonds (as defined in the Act and such resolution, including notes and other evidences of indebtedness) to provide funds for the Program (including the acquisition of existing Loans financing existing Developments, as such capitalized terms are defined in such resolution), and also adopted its related Resolution No. 00-05A; and

WHEREAS, in order to facilitate the affordable housing preservation activities of the Agency, the Agency now desires to amend Resolution No. 00-06A and Resolution No. 00-05A to authorize the issuance of additional obligations to finance the acquisition of existing mortgage loans that finance existing developments and to approve a new form of indenture under which the Agency may issue commercial paper notes;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

section 1. **Determination of Need and Amount.** In order to authorize the offer, sale and issuance of one or more series of Bonds in the aggregate amount necessary [to finance the acquisition of existing Loans that finance existing Developments], Section 1 of Resolution No. 00-06A is hereby amended to move the word "and" from immediately before subsection (c) thereof to immediately after such subsection (c) and to add at the end of such section a new subsection (d) to read as follows:

"(d) if and to the extent the Bonds are issued for the purpose of financing or refinancing the acquisition of existing Loans that finance existing Developments, or for the purpose of refinancing such Developments, $600,000,000".

Section 2. **Authorization and Timing.** In order to provide for the issuance of Bonds to refund any short term Bonds issued for the purpose of acquiring existing Loans or to refinance Developments financed by such Loans, Section 2 of Resolution No. 00-06A is hereby amended to add at the end thereof a new clause to read as follows:

"; and provided, further, that Bonds being issued to refund Bonds of the type described in Section 1(d) of this resolution or to refinance Developments financed by Bonds of the type described in such Section 1(d) may be issued at any time prior to the original maturity date of the original Loans financed by such Bonds".

Section 3. **Approval of Commercial Paper Note Indenture.** In order to authorize the execution and delivery of one or more indentures providing for the issuance of and securing commercial paper notes of the Agency, Section 3 of Resolution No. 00-06A is hereby amended to move the word "or" fiom immediately before subsection (a)(15) thereof to immediately after such subsection (a)(15) and to add thereafter a new subsection (16) to read as follows:

"(16) the form of commercial paper note indenture presented to the May 11,2000 meeting of the Agency".

Section 4. **Approval of Forms and Terms of Bonds.** For purposes of Section 4 of Resolution 00-06A, commercial paper shall be treated as if it were variable rate debt.

Section 5. **Authorization of Related Financial Agreements.** For the purpose of amending the authorized aggregate outstanding principal amount of short-term credit facilities fiom the Pooled Money Investment Account authorized under Resolution No. 00-06A and Resolution No. 00-05A (the single family bond resolution also adopted January 20, 2000), the dollar amount in the last paragraph of Section 9 of Resolution No. 00-6A and the dollar amount in the last paragraph of Section 10 of Resolution No. 00-05A are each amended to read "$850,000,000".

section 6. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program and the issuance of the Bonds are hereby approved and ratified.

SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution 00-12 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 1 lth day of May, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

SOES:

ABSTENTIONS:

ABSEST:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 11th day of May, 2000.

[SEAL]

David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency

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SECRETARY'S CERTIFICATE

I, David N. Beaver, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution 00-12 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 11th day of May, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true. and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of ________________, _____.

[SEXL]

David N. Beaver
Secretary of the Board of
Directors of the California
Housing Finance Agency

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CALIFORNIA HOUSING FINANCE AGENCY

and

[NAME OF TRUSTEE]

as Trustee

INDENTURE

Dated as of ________ 1,2000

CALIFORNIA HOUSING FINANCE AGENCY

[SAME OF PROGRAM] COMMERCIAL PAPER NOTES

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THIS INDENTURE, made and entered into as of the first day of __________,2000, by and between the California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California (herein called the "Agency"), and [Name of Trustee], a [national banking association duly organized and existing under the laws of the United States of America], having a corporate trust office in [San Francisco, California], and being qualified to accept and administer the trusts hereby created, as trustee (herein called the "Trustee"):

WITNESSETH:

WHEREAS, the Agency has been created by the Zenovich-Moscone-Chacon Housing and Home Finance Act (constituting Division 31 of the Health and Safety Code of the State of California), as amended (Parts 1 through 4 of which are herein called the "Act");

WHEREAS, the Agency has determined to borrow money for the purpose of financing or refinancing the acquisition, construction, development or preservation of multifamily rental housing and to that end has duly authorized the issuance of its commercial paper notes hereunder, and to secure the payment of the principal thereof and of the interest thereon, and the observance of the covenants and conditions herein contained, has authorized the execution and delivery of this Indenture;

WHEREAS, said notes are to be issued hereunder and designated the "California Housing Finance Agency [Name of Program] Commercial Paper Notes" (herein called the "Notes"). from time to time. in an aggregate principal amount not limited except as hereinafter provided;

WHEREAS, the Agency has determined that it may provide supplemental credit or liquidity support for any Notes to the extent necessary to obtain, if desirable, a credit rating for such Notes as hereinafter specified; and

WHEREAS, all acts and proceedings required by the Act and other applicable law. including all action requisite on the part of the Agency, its Board of Directors, its members and its officers necessary to make the Notes, when executed by the Agency, authenticated and delivered by the Trustee and duly issued, the valid, legal and binding obligations of the Agency, and to constitute this Indenture a valid, legal and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authonzed:

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the Secured Obligations (as hereinafter defined), and to declare the terms and conditions upon and subject to which the Notes are to be issued and received, and in consideration of the premises and of the purchase and acceptance of the Notes by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Agency does hereby grant, bargain, sell, warrant, convey, confirm, assign, transfer in trust, grant a security interest in, pledge and set over unto the Trustee and to its successors in the trusts hereby created, all and singular, the property of the Agency, real and personal, hereinafter described (said property being herein sometimes referred to as the "trust estate"), in each case subject to the provisions of this Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in this Indenture:

1. All of the right, title and interest of the Agency in, to and under the Loans (as hereinafter defined) financed pursuant to this Indenture, and the proceeds thereof;

2. All of the Revenues (as hereinafter defined, other than Rebatable Arbitrage, if any);

3. All proceeds of the sale of Notes;

4. All Accounts (as hereinafter defined, other than the Rebate Account), and the moneys and securities therein; and

5. All property which is by the express provisions of this Indenture required to be subjected to the lien hereof; and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof, by the Agency or by anyone on its behalf, and the Trustee is hereby authorized to receive the same at any time as additional security hereunder;

TO HAVE AND TO HOLD, all and singular, the trust estate, including any and all additional property that by virtue of any provision hereof or of any Supplemental Indenture hereto shall hereafter become subject to this Indenture and to the trusts hereby created, unto the Trustee and its successors in the trusts hereby created;

IN TRUST, NEVERTHELESS, and, except as expressly provided herein, for the equal and proportionate benefit and security of the holders from time to time of any of the Secured Obligations, without preference, priority or distinction as to lien or othemise of any one holder of Secured Obligations over any other holder of Secured Obligations by reason of pnonty in the issue, sale or negotiation thereof. or of any other cause, so that each holder of Secured Obligations shall have the same nghts, privileges and lien under and by virtue of this Indenture, so that every holder of Secured Obligations shall, subject to the terms hereof, be equally and proportionately secured hereby, as if all such obligations had been duly issued and sold and negotiated simultaneously with the execution and delivery of this Indenture;

And it is hereby covenanted and agreed that all of the Notes shall be issued, authenticated and delivered, and that the trust estate shall be held by the Trustee, subject only to the further covenants. conditions, uses, applications and trusts hereinafter set forth, and the Agency agrees and covenants with the Trustee and with the holders from time to time of the Notes, as follows:

ARTICLE I

DEFISITIOSS ASD INTERPRETATION

Section 101. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture, have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined:

"Account" means an account or fund created by or pursuant to this Indenture.

"Act" means Parts 1 through 4 of Division 3 l of the Health and Safety Code of the State, and all laws supplementary thereto and amendatory thereof.

"Advance" means each advance of funds fiom a Credit Facility, in accordance with the terms of the related Credit Agreement.

"Agency" means the California Housing Finance Agency, a public instrumentality and a political subdivision of the State, created by and existing under the Act.

"Aeencv Pavment Account" means the Account so designated which is established and created in the Note Account by Section 502.

"Authorized Officer" means the Chairperson, the Executive Director, the Deputy Director. the Director of Financing or the Comptroller, or any other person authorized by resolution of the Agency or by certificate of the Chairperson or the Executive Director to act as an Authorized Officer hereunder.

"Available Amount" means the amount available to be drawn on the Credit Facility as set forth in the Credit Agreement, as such amount may be reduced and/or reinstated pursuant to the terms of the Credit Agreement, and available to be drawn under such Credit Facility.

"Bond Indenture" means any indenture of the Agency under which the Agency issues Bonds.

"Bonds" means bonds or other obligations of the Agency (other than Notes or obligations under a Credit Agreement) issued for the purpose of refunding Notes.

"Borrower" means the owner of a Development and the direct or indirect obligor on a Loan.

"Borrower Note" means an instrument evidencing a Borrower's obligation to repay a Loan.

"Business Day" means any day other than (i) a Saturday, a Sunday or another day on which banking institutions in the State of California or the State or States in which the Principal Offices of the Trustee and the Issuing and Paying Agent are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is authonzed or obligated by law or executive order to be closed and (iii) with respect to any particular Notes, a day upon which commercial banks are authorized or obligated by law or executive order to be closed in the city in which demands for payment are to be presented to any Credit Provider for such Notes.

["Capitalized Interest" means interest to be paid or resened from the proceeds of the issuance of Notes or other amounts deposited by the Agency in the Program Account.]

"Chairperson" means the Chairperson of the Board of Directors of the Agency.

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder.

"Comptroller" means the Comptroller of the Agency.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of Notes.

"Counsel's Opinion" means a written opinion, including supplemental opinions thereto, addressed to the Agency and signed by an attorney or firm of attorneys (who may be counsel for the Agency) acceptable to the Agency and the Trustee.

"Credit Facility" means any supplemental credit support or supplemental liquidity support for Notes provided in accordance with Section 614 and includes any related agreement between the Agency and the related Credit Provider pursuant to which such Credit Facility is provided.

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"Credit Facility Expiration Date" means the last day on which an Advance may be made under the Credit Facility, taking into account any applicable extension of such date.

"Credit Facility Account" means the account by that name established by the Issuing and Paying Agent pursuant to the Issuing and Paying Agent Agreement.

"Credit Provider" means any person, firm or entity designated by an Officer's Certificate in accordance with Section **614** as providing a Credit Facility.

"Dealer" means, with respect to particular Notes, the commercial paper dealer designated to be the dealer for such Notes, or any successor or assigns permitted under the related Dealer Agreement.

"Dealer Agreement" means a dealer agreements, and any and all modifications, alterations, amendments and supplements thereto, entered into by the Agency, the Treasurer and a Dealer or Dealers with respect to the Notes.

"Deed of Trust" means a deed of trust or other instrument which constitutes a lien on real property and improvements thereon and secures the obligation to repay a Loan.

"Defaulted Loan" means any Loan described in an Officer's Certificate and stated *to* be in default in accordance with its terms.

"Deputy Director" means a Deputy Director of the Agency.

"Development" means any residential structure, housing development, multifamily rental housing or mobilehome park (as those terms are used in the Act), financed by one or more Loans made, purchased or otherwise acquired with the proceeds of Notes.

"Director of Financing" means the Director of Financing of the Agency.

"Executive Director" means the Executive Director of the Agency.

"Fiduciaries" means the Trustee and the Issuing and Paying Agent.

["Hedging Instrument" means any interest rate, currency or cash-flow swap agreement, interest rate cap, floor or option agreement, forward payment conversion agreement, put, call or other agreement or instrument to hedge payment, interest rate, spread or similar exposure; which in each case is designated by the Agency as a Hedging Instrument hereunder.]

"HUD" means the United States Department of Housing and Urban Development or its successor.

"Indenture" means this Indenture as it may from time to time be amended, modified or supplemented by Supplemental Indenture.

["Investment Obligation" means any of the following which at the time are lawful investments under the laws **of** the State for the moneys held hereunder then proposed to be invested therein: (1) direct general obligations of the United States of America or of the State, or obligations the payment **of** the principal of and interest on which are unconditionally guaranteed by the United States of America, any federal agency of the United States of America, or the State; and **(2)** any other investment securities which will not cause any Unenhanced Rating on any Notes to be reduced or withdrawn.]

"Issuance Request" means a request (in substantially the form set forth in Exhibit B hereto) made by the Agency, acting through an Authorized Officer, to the Issuing and Paying Agent for the authentication and delivery of a Note or Notes.

"Issue Dates" means the date or dates of the Notes as specified and determined in accordance with Article II.

"Issuing and Pavine Agent" means the Issuing and Paying Agent for Notes appointed pursuant to or as provided in Section 1008, and its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this Indenture.

"Loan" means a loan made, purchased or othemise acquired with the proceeds of Notes, for the construction or permanent financing of one or more Developments, and for which the obligation to repay is evidenced by a Borrower Note and secured by one or more Deeds of Trust, or a participation in such a loan.

"Loan Documents" means, with respect to any particular Loan, the Borrower Note. Deed of Trust. any loan agreement and all other agreements between the mortgagee and a Borrower relating to a Loan.

"Loan Principal Prepayments" means any amounts received by the Agency or the Trustee representing recovery of the Principal Balance of any Loan (exclusive of amounts representing regularly "scheduled principal payments) as a result of (1) any voluntary prepayment of all or part of the Pnncipal Balance of a Loan, including any prepayment, fee, premium or other such additional charge; (2) the sale. assignment or other disposition of a Loan (including assignment of a Loan to collect upon mortgage insurance. if any); (3) the acceleration of a Loan (for default or any other cause) or the foreclosure or sale under a Deed of Trust or other proceedings taken in the event of default of such Loan; and (4) compensation for losses incurred with respect to such Loan from the proceeds of condemnation, title insurance or hazard insurance.

"Note" means any note or notes, as the case may be, authorized under, secured by and issued pursuant to this Indenture.

"Note Account" means the account so designated which is established and created by Section 502.

"Noteholder" or "Holder" or "holder" or any similar term means the person in whose name a Note is registered.

"Note Pavment Account" means the account by that name established by the Issuing and Paying Agent pursuant to the Issuing and Paying Agent Agreement.

"Officer's Certificate" means a certificate signed by an Authorized Officer.

"Outstanding", when used with reference to notes and as of any particular date, describes all Notes theretofore and thereupon being delivered except (1) any Note cancelled by the Trustee, or proved to the satisfaction of the Trustee to have been cancelled by the Agency or by any other Fiduciary at or before said date, (2) any note paid or deemed to be paid within the meaning of Section 1101, and (3) any Note in lieu of or in substitution for which another Note shall have been delivered pursuant to [Sections 307,308, 310, 311,705 or 806].

"Permitted Encumbrances" means, with respect to any particular Loan, such liens, encumbrances, reservations, easements and other imperfections of title as are acceptable to the Agency.

"Principal Balance" means, with respect to each Loan, the unpaid principal balance thereof.

"Principal Office", when used with respect to a particular Fiduciary, means the office of such Fiduciary so designated herein or in any notice given by such Fiduciary to the Agency, and in the case of the Trustee, as of the date hereof, is the applicable address set forth in Section 1109 hereof.

"Promam Account" means the Account so designated which is established and created by Section 402.

"patine Agency" means, at any particular time, any nationally recognized credit rating service designated by the Agency, if and to the extent such service has at the time one or more outstanding ratings of the Notes. [The Agency shall at all times have designated for the Notes at least one 'such service as a Rating Agency.]

"Rating Cateeory" means one of the general rating categories of a Rating Agency (in the case of long-term secunties only, without regard to any refinement or graduation of such rating category by numencal or symbolic modifier or otherwise).

["Rebatable Arbitrage" means the amount (determinable for any issue of Tax-Exempt Notes as of such times as may be specified by the related Tax Certificate) of arbitrage profits earned from the investment of "gross proceeds" of Notes in "nonpurpose investments" described in Section 148(f)(2) of the Internal Revenue Code of 1986 and defined as "Rebatable Arbitrage" in Section 1148-2 of the Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Internal Revenue Code of 1986 and Section 1148-1 of the Regulations, or any similar or successor provisions.]

["Rebate Account" means the Account so designated which is established and created by Section 502, and in which subaccounts may be created by and applied in accordance with the related Tax Certificate.]

"Record Date" means, with respect to any particular Note and for any particular Interest Payment Date, the date (determined in accordance with the Note) upon which is established to whom interest payable on such Interest Payment Date on such Note should be paid.

"Refunding Notes" means any Notes issued for the purpose of refunding Notes.

"Related" (whether capitalized or not) means, with respect to any particular issue of Sotes, Supplemental Indenture, Account, Credit Facility, Hedging Instrument, Loan, Loan Principal Prepayment, having been created or designated in connection with the issuance of, or having been derived from the proceeds of, or having been reallocated to, the same issue of Notes, as the case may be.

["Required Rebate Deposit" means the amount (determinable for each issue of Tax-Exempt Notes as of such times as may be specified by the related Tax Certificate), which when added to amounts then on deposit in the related subaccount of the Rebate Account to be established pursuant to the related Tax Certificate, equals the aggregate amount of Rebatable Arbitrage for such Notes less the amount of Rebatable Arbitrage theretofore paid to the United States with respect to such Notes. if any. A

Required Rebate Deposit may be negative; that is, may result in the transfer of excess amounts on deposit in the Rebate Account to the Revenue Account.]

"Resolution" means a resolution duly adopted by the Board of Directors of the Agency.

"Revenue Account" means an Account so designated which is established and created by Section 502.

"Revenues" means amounts received by the Agency or the Trustee (1) as or representing payment or recovery of the principal of or interest on any Loan, including, without limiting the generality of the foregoing, scheduled payments of principal and interest on any Loan and paid from any source (including both timely and delinquent payments and any late charges) and Loan Principal Prepayments, (2) any fees paid with respect to any Loan and expressly designated for deposit under this Indenture, (3) amounts paid under any Deed of Trust or other Loan Document as damages or reimbursement of expenses or otherwise, (4) operating revenues of a Development owned by the Agency after the related Loan becomes a Defaulted Loan, to the extent that such revenues exceed current operation and maintenance expenses, (5) all amounts so designated by any Supplemental Indenture and required by such Supplemental Indenture to be deposited in the Revenue Account, (6) all interest, profits or other income derived from the investment of amounts in any Account, and (7) amounts received by the Agency or the Trustee under any Hedging Instrument; but "Revenues" shall not include (a) payments made with respect to any Loan in order to obtain or maintain any insurance or subsidy, to maintain reserves for operating expenses or replacements, to provide for the payment of taxes, or to provide for similar charges to be paid by a Borrower and required to be escrowed pending their application, (b) any amounts representing ,reimbursement to the Agency of advances of principal or interest or expenses incurred by the Agency in connection with the collection or recovery of pnncipal of, or interest on, or other amounts due under, any Loan. (c) the proceeds of hazard insurance to the extent used to repair or rebuild a damaged Development. (d) servicing fees, insurance premiums, closing fees, finance charges, administrative fees, commitment fees or other similar fees, premiums or charges imposed by the Agency, (e) amounts deposited in an Agency Payment Account, or (f) amounts derived from any Credit Facility.

"Secured Obligations" means (i) the obligation of the Agency to pay the principal of and the interest on all Notes according to their tenor, and the performance and observance of all the Agency's covenants and conditions in the Notes and this Indenture; (ii) each obligation of the Agency to reimburse a Credit Provider for amounts drawn on or paid pursuant to a Credit Facility for the payment of obligations described in clause (i) of this definition, and the performance and observance of all the Agency's covenants and conditions in any documents executed by the Agency in connection with a Credit Facility; and (iii) the payment and performance of all obligations of the Agency pursuant to any Hedging Instrument entered into with respect to all or any portion of the Notes and specified as such in an Officer's Certificate.

"Securities Dewsitory" means The Depository Trust Company, New York, New York, its successors or assigns.

"State" means the State of California.

"Supplemental Indenture" or "indenture supplemental hereto" means any indenture entered into between the Agency and the Trustee amending or supplementing this Indenture in accordance with the provisions of this Indenture.

"Tax Certificate" means each Tax Certificate, if any, dated the date of issuance of an issue of Tax-Exempt Notes, executed and delivered by the Agency, as amended, supplemented or otherwise modified from time to time.

["Tax-Exempt Notes" means Notes the interest on which is intended to be excluded from gross income of the owner thereof for federal income tax purposes.]

"Treasurer" means the Treasurer of the State or any Deputy Treasurer of the State and any other person designated by the Treasurer to act hereunder on behalf of the Treasurer.

"Trustee" means [Name of Trustee], in San Francisco, California, or its successor as Trustee hereunder as provided in Article XI.

["Unenhanced Rating" means with respect to any particular Notes, the Agency's unsecured general obligation note rating assigned by each Rating Agency for such Notes, or, if the Agency does not have an unsecured general obligation note rating, the long term credit rating assigned to such Notes by each Rating Agency for such Notes assuming that there were no Credit Facility for such Notes.]

Section 102. Construction. The following rules of construction shall govern this Indenture:

Words importing any particular gender include all other genders.

Words importing persons include natural persons, firms, associations, trusts, partnerships and corporations.

The terms "herein", "hereunder", "hereby", "hereto", "hereof" and any similar terms, refer to this Indenture as a whole; the term "heretofore" means before the date of this Indenture; and the term "hereafter" means after the date of this Indenture.

Articles and Sections mentioned by number only are the respective Articles and Sections of this Indenture so numbered.

Any captions, titles or headings preceding the text of any Article or Section herein and any table of contents or index attached to this Indenture or any copy thereof are solely for convenience of reference and shall not constitute part of this indenture or affect its meaning, construction or effect.

Section 103. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Fiduciaries, the Noteholders, the Credit Providers and any other holders of Secured Obligations, including any subrogee or assignee of the Noteholders, the Credit Providers and such other holders of Secured Obligations.

Section 104. Governine Law. This Indenture shall be governed by and construed and interpreted in accordance with the laws of the State without regard to conflicts of laws principles.

Section 105. Severability of Invalid Provisions. If any one or more of the provisions. covenants or agreements in this indenture on the part of the Agency or any Fiduciary to be performed should be contrary to law, then such provision or provisions, covenant or covenants, or agreement or agreements, shall be deemed severable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Indenture or of the Notes.

Section 106. Accountine Records. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds or accounts shall at all times be maintained in accordance with generally accepted accounting principles, to the extent practicable, and with due regard for the requirements of Section 603 and for the protection of the rights of every holder of Secured Obligations.

ARTICLE 11

AUTHORIZATION OF SOTES

Section 201. Authorization for Issuance of Notes. (A) In order to provide sufficient funds for the purposes of this Indenture, Notes of the Agency are hereby authonzed to be issued from time to time without limitation as to amount, except as provided in this Indenture or as may be limited by law. The Notes shall be issued subject to the terms, conditions and limitations established in this Indenture.

(B) From time to time when authorized by this Indenture and subject to the terms. limitations and conditions established in this Indenture [and any applicable Credit Agreement], the Agency may authonze the issuance of Notes and the Notes may be issued and delivered to the Issuing and Paying Agent for authentication upon compliance with provisions hereof. The Notes shall be designated "California Housing Finance Agency [Name of Program] Commercial Paper Notes," may bear such additional designation as may be necessary to distinguish such Notes from other notes of the Agency. and may also bear any parenthetical designation specified by the Agency by Officer's Certificate.

(C) Notes may be issued fiom time to time as provided herein for the purposes of (1) depositing the proceeds of the Notes in the Program Account to pay the costs of the acquisition of Loans and to pay Costs of Issuance, and (2) depositing the proceeds of the Notes in the Note Account or the Note Payment Account to pay maturing Notes and to reimburse any Credit Provider for Advances used to pay maturing Notes.

Section 202. Terms of the Noteg (A) Each Note shall be dated the date of its issuance and shall bear interest fiom its date. Each Note shall be issued in registered form, registered to be Cede & Co., as nominee for The Depository Trust Company ("DTC") unless otherwise provided by the Agency in accordance with Section 209. Each Note shall be issued in an authorized denomination of $ 100,000 or an integral multiple of $1,000 in excess thereof.

(B) Each Note (i) shall bear interest (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed) at a separately stated annual rate, payable at maturity, (ii) shall mature not more than 270 days after its dates, but in no event later than five days prior to the related Credit Facility Expiration Date, (iii) shall be sold at a price of not less than 100% of the principal amount thereof, and (iv) shall mature on a Business Day. The stated interest rate, maturity date and other terms of each Note, so long as not inconsistent with the terms of this Indenture, shall be as set forth in the Issuance Request required to be delivered pursuant to Section 301 hereof directing the issuance of such Note.

(C) The Notes shall not be subject to redemption prior to maturity..

(D) The Notes shall be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provisions for numbering, including additional prefixes and suffixes, as it may deem appropriate.

(E) The principal of and the interest on the Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. The principal of and the interest on the Notes shall be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on any Business Day upon which such Notes have become due and payable, provided that such Notes are presented and surrendered on a timely basis. Upon presentation of such a Note to the Issuing and Paying Agent no later than 11:00 a.m. (New York City time) on a Business Day, payment for such Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Note is presented for payment after 11:00 a.m. (New York City time) on a Business Day, payment therefor shall be made by the Issuing and Paying Agent on the next succeeding Business Day, without the accrual of additional interest thereon.

Section 203. Form of Notes. The Notes shall be in substantially the form set forth in Exhibit A hereto.

Section 204. Execution. The Notes shall be executed in the name of the Agency by the manual or facsimile signature of an Authorized Officer, and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, impressed, engraved or otherwise reproduced and attested by the manual or facsimile signature of another Authorized Officer of the Agency, or in such other manner as may be required by law. In case any one or more of the Authorized Officers who shall have signed, sealed or attested any of the Notes or whose signature appears on any of the Notes shallcease to be such Authorized Officers before the Notes so signed and sealed shall have been actually authenticated by the Issuing and Paying Agent or delivered or caused to be delivered by the Issuing and Paying Agent or issued by the Agency, such Notes may, nevertheless, be authenticated and issued and, upon such authentication, delivery and issue, shall be as binding upon the Agency as if the persons who signed or sealed such Notes or whose signatures appear on any of the Notes had not ceased to hold such offices or be so employed until such delivery.

Section 205. Transfer of Notes. Any Note may, in accordance with its terns, be transferred upon the books required to be kept pursuant to the provisions of Section 207, by the Noteholder in whose name it is registered, in person or by such Noteholder's duly authorized attorney, upon surrender of such Note for cancellation, at the Principal Office of the Issuing and Paying Agent, accompanied by a written, duly executed instrument of transfer in a form approved by the Issuing and Paying Agent. Whenever any Note or Notes shall be surrendered for transfer, the Agency shall execute and the Issuing and Paying Agent shall authenticate and deliver a new Note or Notes of the same maturity and tenor and for a like aggregate principal amount. The Issuing and Paying Agent may charge a reasonable sum for each new Note authenticated and delivered upon any transfer. The Issuing and Paying Agent shall also require the payment by any Noteholder requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. No transfer of any Note shall be required during the fifteen days next preceding its maturity date.

Section 206. Exchange of Notes. Notes may be exchanged at the Principal Office of the Issuing and Paying Agent for a like aggregate pnncipal amount of Notes of other authonzed denominations of the same maturity and tenor. The Issuing and Paying Agent may charge a reasonable sum for each new authenticated Note delivered upon any exchange except in the case of any exchange of temporary Notes for definitive Notes. The Issuing and Paying Agent shall also require the payment by the Noteholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of any Note shall be required during the fifteen days next preceding its maturity date.

Section 207. Note Register. The Issuing and Paying Agent will keep or cause to be kept, at the Principal Office of the Trustee, sufficient books for the registration and transfer of the Notes, which shall at all reasonable times be open to inspection by the Agency or the Trustee; and, upon presentation for such purpose, the Issuing and Paying Agent shall, under such reasonable rules as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Notes as hereinbefore provided. The Agency, the Trustee and the Issuing and Paying Agent may treat the registered owner of each Note as the absolute owner thereof for all purposes, and neither the Agency, the Trustee nor the Issuing and Paying Agent shall be affected by any notice to the contrary.

Section 208. Notes Mutilated. Lost. Destroyed or Stolen. If any Note shall become mutilated, the Agency, at the expense of the holder of said Note, shall execute, and the Issuing and Paying Agent shall thereupon authenticate and deliver, a new Note of like matunty, tenor, number and pnncipal amount in exchange and substitution for the Note so mutilated, but only upon surrender of such Note at the Principal Office of the Issuing and Paying Agent. Every mutilated Note so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Agency. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Issuing and Paying Agent and, if such evidence be satisfactory to the Issuing and Paying Agent and indemnity satisfactory to it shall be given, the Agency, at the expense of the Noteholder, shall execute, and the Issuing and Paying Agent shall thereupon authenticate and deliver, a new Note of like matunty, tenor, number and pnncipal amount. The Agency may require payment of a sum not exceeding the actual cost of prepanng each new Note authenticated and delivered under this Section and of the expenses which may be incurred by the Agency and the Issuing and Paying Agent in the premises. Any Note authenticated and delivered under the provisions of this Section in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Notes secured by this Indenture.

Section 209. Book-Entry System. Notes may be issued as certified Notes or as book-entry notes under any book-entry system specified by Officer's Certificate or by the related Issuing and Paying Agent Agreement.

(A) If the Agency determines that it will be to the advantage of the Agency, any issue of the Notes shall be initially issued and registered in the name of Cede & Co. ("Cede"), as nominee of the Securities Depository (referred to hereafter as "DTC") and shall be evidenced by registered Notes in printed or typewritten form. Registered ownership of such issue of the Notes, or any portion thereof, may not thereafter be transferred except as follows:

(i) to any successor of Cede as nominee for DTC, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection or depositones ("Substitute Depository"); provided that any successor of DTC or of the Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any one or more Substitute Depository designated by the Agency, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its function as depository, or (2) a determination by the Agency that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under applicable laws to provide the service proposed to be provided by it; or

(iii) to any other new registered owners as provided in subsection (b) below.

In the case of any transfer pursuant to clauses (i) or (ii), upon receipt of the outstanding registered Notes by the Agency, new registered Notes shall be executed and delivered by the Agency, registered in the name of such successor or such Substitute Depository, or its nominees, as the case may be.

(B) Upon the resignation of DTC or its successor (or the resignation of any Substitute Depository or its successor) from its function as depository without the designation of any Substitute Depository, or upon a determination by the Agency to discontinue the use of a depository with respect to the Notes, and upon the receipt by the Agency of the outstanding registered Notes, the Agency shall, as soon as practicable, execute and deliver new Notes in registered form in such denominations and to such persons as are required in accordance with the records of the former depository and/or its participants as to the beneficial owners of the former registered Notes.

(C) The Agency, the Trustee and the Issuing and Paying Agent shall be entitled to treat the person in whose name any registered Note is regrstered as the owner thereof for all purposes of this Resolution and for purposes of payment of principal of, premium, if any, and interest on such Note, notwithstanding any notice to the contrary received by the Agency, the Trustee or the Issuing and Paying Agent; and the Agency, the Trustee and the Issuing and Paying Agent shall not have responsibility for transmitting payments to. communicating with, notifying, or othemise dealing with any beneficial owners of the registered Notes. The Agency, the Trustee and the Issuing and Paying Agent shall not have any responsibility or obligation to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the registered owner of any registered Note, and the Agency, the Trustee and the Issuing and Paying Agent may rely conclusively on the Issuing and Paying Agent's records as to the identity of the registered owners of the registered Notes.

(D) Notwithstanding any other provision of this Resolution and so long as all outstanding Notes of any issue are regrstered in the name of DTC or its registered assigns, the Agency shall cooperate with **DTC**, as sole registered owner, and its registered assigns in effecting payment of the pnncipal of and interest on the registered Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Agency's Letter of Representations to **DTC.**

Section **210.** Authentication of Notes. (A) Each Note shall be authenticated by the manual signature of the Issuing and Paying Agent who shall, pursuant to the provisions set forth in the Issuing and Paying Agent Agreement, authenticate and deliver Notes in accordance with the terms of an Issuance Request delivered pursuant to Section 301. Notwithstanding anything herein or in the Issuing and Paying Agent Agreement to the contrary, the Issuing and Paying Agent shall not authenticate any Note if:

(i) [such delivery would result in the aggregate principal amount of Notes Outstanding being in excess of the amount available to be drawn by the Issuing and Paying Agent under the related Credit Facility for payment of principal]; or

(ii) [such delivery would result in an aggregate amount of interest to accrue on the Outstanding Notes to maturity to be in excess of the amount available to be drawn by the Issuing and Paying Agent under the related Credit Facility for the payment of interest]; or

(iii) [the maturity date specified in the Issuance Request for such Notes extends beyond 270 days from the respective dates of authentication and issuance of such Notes or beyond the date which is five days prior to the related Credit Facility Expiration Date]; or

(iv) [a Notice of No Issuance or a Notice of Termination (as such terms are defined in the related Credit Agreement) shall have been delivered to the Issuing and Paying Agent by the related Credit Provider and such Notice shall not have been withdrawn or revoked by the related Credit Provider]; or

(v) the Issuing and Paying Agent shall have actual knowledge that an Event of Default under this Indenture shall have occurred and is continuing; or

(vi) [the Issuing and Paying Agent shall have received notice that the Opinion of Bond Counsel delivered regarding the exclusion of interest on the Notes fiom the gross income of the Holders thereof for federal income tax purposes has been or is being withdrawn, which notice has been delivered by such Bond Counsel].

(B) [Notwithstanding Section 210(A)(i) and (ii), in the event an Advance is outstanding. the Issuing and Paying Agent may authenticate and deliver an amount of Notes exceeding such available amounts if, upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall have sufficient funds immediately available to reimburse the related Credit Provider for an Advance equal to such excess amount. Upon receipt of the proceeds of such Notes, the Issuing and Paying Agent shall immediately notify the Agent that it is holding such proceeds in trust for the Credit Providers, and shall immediately wire the same to the Credit Provider].

(C) Only such of the Notes as shall bear thereon a certificate of authentication .substantially in the form set forth in Exhibit A hereto, manually executed by the Issuing and Paying Agent. shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of authentication when manually executed by the Issuing and Paying Agent shall be conclusive evidence that the Notes so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

ARTICLE III

ISSUANCE AND SALE OF NOTES

Section 301. Issuance and Sale of Notes. (A) Whenever an Authorized Officer determines that the Agency shall sell or issue Notes, such Authorized Officer shall deliver an Issuance Request (in substantially the form attached hereto as Exhibit B) to the Issuing and Paying Agent and the Treasurer prior to 4:30 p.m. New York time on the Business Day preceding the Business Day on which Xotes are to be issued stating the aggregate amount of Notes to be issued and representing (1) that all action on the part of the Agency necessary for the valid issuance of the Notes then to be issued has been taken and has not been rescinded or revoked, (2) that all provisions of State and federal law necessary for the valid issuance of such Notes and necessary to provide that interest thereon is [excludable from gross income for purposes of federal income taxes and] exempt fiom State of California personal income taxes have been complied with, (3) that interest on the Notes is [excludable from gross income for purposes of federal income taxes and] exempt from State of California personal income taxes, and (4) that such Notes in the hands of the Holders thereof will be valid and binding obligations of the Agency according to their terms. Each such Issuance Request shall also certify or constitute a representation and warranty that:

(i) no Event of Default under Section 701 has occurred and is continuing as of the date of such Issuance Request; and

(ii) the Agency is in compliance with the covenants set forth in Article VI hereof, including without limitation but to the extent applicable, the tax covenants contained in Section 608, as of the date of such Issuance Request.

[The Treasurer shall consult with the Dealers and the Agency as to the terms of such Notes and the sale or issuance thereof in accordance with Section 202. Pursuant to the Dealer Agreements, the Dealers shall deliver instructions to the Issuing and Paying Agent prior to 12:00 p.m. New York time on the Business Day on which Notes are to be issued to complete the Notes and deliver them to the Dealers. The Agency shall prescribe the maturities of the Notes, after consultation with the Treasurer, and the Treasurer will confirm to the Issuing and Paying Agent the instructions of the Dealers prior to 12:30 p.m. New York time on such Business Day. If an Issuance Request is received after 4:30 p.m. New York time on the Business Day preceding the Business Day on which Notes are to be issued. or if instructions from the Dealers and confirmation fiom the Treasurer are received after the times set forth above. the Issuing and Paying Agent shall not be obligated to deliver the requested Notes until the succeeding Business Day.]

(B) [Upon receipt of such Issuance Request, instructions from the Dealers and confirmation from the Treasurer, which information shall be transmitted in accordance with the provisions set forth in the Issuing and Paying Agent Agreement, the Issuing and Paying Agent shall, by 2:15 p.m. (New York City time) on such day, complete each Note then to be delivered as to amount, date. registered owner (which shall be registered to bearer unless specific instructions for registration are provided by the Dealers), maturity date. interest rate and interest amount specified in such Issuance Request. authenticate each such Note and deliver each such Note to or upon the order of the Dealers. The Dealers shall, by 2:15 p.m. (New York City time) on such day, pursuant to the provisions set forth in the Dealer Agreements, pay to the Issuing and Paying Agent, in immediately available funds, the aggregate purchase price for such Notes.]

(C) Notwithstanding any other provision of this Indenture or the Issuing and Paying Agent Agreement to the contrary, no such Notes shall be delivered by the Issuing and Paying Agent if the delivery of such Notes would result in violation of any of the prohibitions respecting authentication of Sotes set forth in Section 2 10.

ARTICLE IV

APPLICATION OF NOTE PROCEEDS

Section 40 1. Application of Note Proceeds. (A) Upon receipt fiom the Dealers of the proceeds of the issuance and sale of Notes, the Issuing and Paying Agent shall:

(i) [deposit such proceeds to the credit of the Credit Facility Account created pursuant to the Issuing and Paying Agent Agreement if such Notes are being issued for the purpose of repaying an Advance];

(ii) deposit such proceeds to the credit of the Note Payment Account to the extent necessary for the payment of the principal of and interest on the Notes then due and payable or becoming due and payable on the day of receipt of such proceeds;

(iii) deposit any amount representing interest on the Notes and constituting less than $1,000 to the Interest Account within the Note Payment Account; and

(iv) transfer the balance of such proceeds to the Trustee for deposit in the Program Account.

The Trustee shall deposit to the credit of the Program Account all moneys received fiom the Issuing and Paying Agent and representing proceeds of the Notes.

Section **402.** Establishment and Application of Program Account. (A) The Agency hereby establishes and creates a separate trust account to be held in trust by the Trustee and designated the "Program Account". Except as otherwise provided herein, moneys in the Program Account shall be used solely for (1) the financing of Loans (including accrued interest thereon), **(2)** redemption of Notes by operation of the Redemption Account, (3) payment of **Costs** of Issuance, and **(4)** [payment of Capitalized Interest on the Notes].

(B) Subject to the terms and conditions hereof, the Agency may refund Loans (Including, without limitation, Loans financed with the proceeds of other obligations of the Agency) through the payment of other indebtedness fiom amounts on deposit in the Program Account, and may provide that such Loans (including at the option of the Agency the amount of accrued interest, if any, on such Loans to the date of such transfer) be transferred to the Program Account.

(C) Upon receipt of an Officer's Certificate requisitioning moneys in the Program Account, and specifying purpose for which such moneys are to be used and applied, the payee (which may be the Agency), and the amount to be paid, the Trustee shall use and apply such moneys as specified by such Officer's Certificate.

(D) Moneys credited to the Program Account shall be deemed to be a part of the Program Account until the check, draft or warrant issued by the Trustee is certified or otherwise paid. If for any reason the Agency should decide prior to the payment of any item in a requisition to stop payment of such item, the Agency shall file with the Trustee an Officer's Certificate giving notice of such decision and thereupon the Trustee shall reverse any steps taken prior to such notice toward payment of such items. The Agency shall maintain in the office of the Agency accurate records of all requisitions, a description of the Loans financed or refinanced pursuant hereto and the purchase price and Principal Balance of such Loans.

ARTICLE V

[GENERAL] OBLIGATIONS; PERFECTION OF PLEDGE; APPLICATION OF REVENUES Ah?) OTHER MONEYS

Section 501. [General] Oblieations: Perfection of Pledee. (A) The principal of and interest on the Notes shall be [general] obligations of the Agency payable out of the Revenues and assets pledged hereunder [and also payable from any other moneys of the Agency legally available therefor, subject only to any agreements with the holders of **other** obligations of the Agency pledging any particular assets, revenues or moneys].

(B) The pledge hereby made and the security interest hereby granted shall attach. be perfected and be valid and binding from and after the time of the delivery by the Trustee of the initial Notes without any further action on the part of the Agency. The proceeds of the sale of the Notes, Revenues, Loans financed hereunder, and all Accounts and moneys and securities therein so pledged and then or thereafter received by the Agency or the Trustee shall immediately be subject to'the lien of such pledge and security interest without any physical delivery thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Agency or any Fiduciary irrespective of whether such parties have notice thereof.

Section 502. Establishment of Accounts. (A) The Agency hereby establishes and creates the following Accounts to be held in trust by the Trustee:

(1) Revenue Account;

(2) Note Account, including the Agency Payment Account therein; and

(3) [Rebate Account].

(B) In addition, other Accounts or subaccounts may be established by an Officer's Certificate as deemed advisable by the Agency.

Section 503. Deposit of Revenues. All Revenues collected or received by the Agency shall be deemed to be held, and to have been collected or received, by the Agency as the agent of the ;Trustee and shall forthwith be paid by the Agency to the Trustee: provided, however, that the Agency may transfer Revenues directly to any investment agreement provider for credit to an Investment Obligation held in the name of the Agency and the Trustee.

All Revenues shall be credited by the Trustee upon the receipt thereof to the Revenue Account; except that

(1) income earned on amounts in the Program Account may, upon the request of the Agency in an Officer's Certificate, be retained in such Account;

(2) an amount of interest received with respect to an Investment Obligation equal to the amount of accrued interest, if any, paid as pan of the purchase price of such Investment Obligation shall be credited to the Account from which such accrued interest was paid: and

(3) [amounts received in respect of any Hedging Instrument shall be credited as specified by the Agency in an Officer's Certificate].

All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee solely as provided in this Indenture.

Section 504. Periodic Application of Revenue Account. The Trustee, on or before each Note maturity date, shall, out of the moneys in the Revenue Account, credit the following Accounts or make the following payments, in the following order of priority, the requirements of each such Account or party (including the making up of any deficiencies in any such Account or payment resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of credit or payment to be satisfied, and the results of such satisfaction being taken into account, before any credit or payment is made subsequent in priority:

First: As and to the extent directed by an Officer's Certificate, to make each Required Rebate Deposit, if any.

Second: To the Note Account, to the extent necessary to increase the amount therein so that it equals the sum on such day of (a) the interest then due on all Notes [(when added to amounts to be charged to the Program Account to pay Capitalized Interest)] and (b) as and to the extent directed by an Officer's Certificate, any principal then due on Notes.

Third: As and to the extent directed by an Officer's Certificate, to pay or reimburse the Agency for the payment of the fees of the Fiduciaries [and Credit Providers or to reimburse the Credit Provider for Advances].

Fourth: As and to the extent directed by an Officer's Certificate, to the Program Account.

Fifth: To the Agency, free and clear of the lien of this Indenture, such amount as may be requested by an Officer's Certificate stating that upon and after such transfer

(a) all Advances have been repaid and no amounts are then due to any Credit Provider under any Credit Agreement; and

(b) the sum of the amounts in (i) the Program Account (including the aggregate Pnncipal Balance of all Loans but excluding amounts reserved to pay Costs of Issuance and Capitalized Interest), (ii) the Note Account to pay the pnncipal of Notes (not including any amounts being held to pay Notes that are to be paid but are no longer deemed Outstanding), and (iii) the Revenue Account (not including any amounts necessary to pay interest on Notes then Outstanding), is equal to or greater than an amount equal to the principal amount of all then Outstanding Notes.

Notwithstanding the foregoing, the Trustee shall pay fiom the Revenue Account to the counterparty of any Hedging Instrument such amount as shall be due fiom the Agency or the Trustee thereunder, as specified in an Officer's Certificate, in such order of priority in relation to clauses Second through Fifth above as may be specified in such Officer's Certificate.

Section **505.** Application of Note Account. (A) The Trustee shall charge the Note Account, on or prior to each Note maturity date, an amount equal to the sum of the unpaid interest due on all Notes on such date plus the principal due on all Notes designated by Officer's Certificate as being paid from Revenues, and shall cause the same to be applied to the payment of such interest and principal when due and to reimburse any Credit Provider which has advanced moneys to pay such interest and/or principal. The Trustee is hereby authorized to withdraw funds fiom the Note Account and transmit funds to the Issuing and Paying Agent in order to make such payments.

(B) When the amount in the Note Account is greater than the amount required therein, any excess amount shall either be retained in such Account or, upon the request of the Agency in an Officer's Certificate, be credited to the Revenue Account.

(C) Any amounts advanced by any Credit Provider to pay principal of or interest on Notes shall be segregated from ail other moneys held hereunder, and any amounts applied to reimburse such advances shall be fiom such other moneys.

(D) No amount shall be charged against the Note Account except as expressly provided in this Article V.

Section 506. Deficiencies in Note Account: Application of Agency Payment Account. (A) In the event that the amount credited to the Note Account on or before any Note maturity date is insufficient to pay the sum of the interest on all Notes due on such date plus the principal due on all Notes designated by Officer's Certificate as being paid from Revenues, the Trustee shall immediately notify the Agency of such insufficiency and give the Agency the option to immediately transfer moneys to the Note Account (from sources other than Revenues and other assets pledged under this Indenture) all or any portion of the amount of such insufficiency. If all or any portion of the insufficiency remains after such notification, the Trustee shall credit to the Note Account the amount of the insufficiency, after the charges and credits required by Section 504, by charging the following Accounts in the following order of pnority: (1) the Revenue Account; and (2) the Program Account if and to the extent requested by the Agency in an Officer's Certificate.

[Additional appropriate provisions for drawing on the appropriate Credit Facility.]

(B) [If, following transfers made pursuant to Section 504 and subsection (A) of this Section, there are not sufficient moneys to pay the sum of all interest due and payable on the Notes plus the principal due on all Notes designated by Officer's Certificate as being paid from Revenues, the Trustee shall again immediately notify the Agency in writing of the amount of such insufficiency and shall request from the Agency an immediate deposit of legally available moneys equal to the aggregate amount of such insufficiency. The Agency shall pay to the Trustee (from the Agency's other moneys legally available therefor, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys), for deposit in the Agency Payment Account the amount of the insufficiency. If the aggregate amount provided by the Agency is less than the aggregate amount of such insufficiency, any shortfall shall be allocated pro rata among the holders of the Notes in proportion to the amounts then due and payable on such Notes.]

(C) [Amounts deposited with the Trustee by the Agency pursuant to subsection (B) shall be deposited into the Agency Payment Account. Amounts in such Account shall only be used to pay 'interest or principal due and payable on the Notes. When the amount in the Agency Payment Account is greater than the amount required therein, any excess amount shall either be retained in such Account or. upon the request of the Agency in an Officer's Certificate, be paid to the Agency.]

Section 507. Investment of Funds. (A) The moneys held by a Fiduciary shall be a trust fund for the purposes'hereof. Moneys attributable to each of the Accounts, on instructions confirmed in writing by an Authorized Officer, shall be invested by the Fiduciary holding the same in Investment Obligations.

(B) Amounts held in the Note Account shall be invested in Investment Obligations maturing on or prior to the date when needed. Investment Obligations representing an investment of 'moneys attributable to any Account shall be deemed at all times to be a part of said Account. Such investments shall be sold at the best price obtainable whenever it shall be necessary to do so in order to provide moneys to make any transfer, withdrawal, payment or disbursement from said Account, or, in the case of any required transfer of moneys to another such Account, may be transferred to that Account in lieu of the required moneys if permitted hereby as an investment of moneys in that Account, and no Fiduciary shall be liable or responsible for any loss resulting from any investment made in accordance herewith.

In computing for any purpose hereunder the amount in any Account on any date. obligations credited to such Account shall be valued at the lower of cost or face value exclusive of accrued interest, and may be so valued as of any time within four days prior to such date. [For purposes of this Section, the term "amortized value," when used with respect to obligations purchased at a premium above or a discount below par, shall mean the value as of any given date obtained by dividing the total amount of the premium or discount at which such obligations were purchased by the number of interest payments remaining to maturity on such obligations after such purchase and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of such purchase; and (1) in the case of obligations purchased at a premium, by deducting the product thus obtained fiom the purchase price, and (2) in the case of obligations purchased at a discount, by adding the product thus obtained to the purchase price.]

(C) The Agency acknowledges that regulations of the Comptroller of the Currency grant the Agency the right to receive brokerage confirmations of security transactions to be effected by the Trustee hereunder as they occur. The Agency specifically waives the right to receive such notification to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which include detail for the investment transactions effected by the Trustee hereunder; provided, however, that the Agency retains its right to receive brokerage confirmation on any investment transaction requested by the Agency.

ARTICLE VI

PARTICULAR COVENASTS OF AGESCY

Section 601. Pavment of Notes. Subject to the other provisions of this Indenture. the Agency shall duly and punctually pay or cause to be paid the pnncipal of and interest on the Notes. at the dates and places and in the manner mentioned in the Notes, according to the true intent and meaning thereof.

Section 602. Payment of Lawful Charges. The Agency shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon the Agency with respect to its activities under this Indenture or upon any Revenues, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to such activities, and shall not create or suffer to be created any lien or charge upon the Revenues or Loans or the Accounts created pursuant to this Indenture and the moneys and secunties therein except the pledge, security interest and lien created hereby for the payment of the Secured Obligations.

Section 603. Tax Covenants. If and to the extent interest on the Notes is intended to be excluded fiom gross income for federal income tax purposes, the Agency shall deliver a Tax Certificate containing such covenants of the Agency as shall be appropnate to assure such exclusion from gross income.

Section 604. Comoliance with Conditions Precedent. Upon the date of issuance of any of the Notes, all conditions, acts and things required by law to exist. to have happened or to have been performed precedent to or in the issuance of such Notes shall exist, shall have happened and shall have been performed, and such Notes, together with all other indebtedness of the Agency, shall be within every debt and other limit prescribed by law.

Section 605. Program Covenants. (A) The Agency shall finance Loans, and shall do all acts and things necessary to obtain, receive and collect Revenues in such manner as is consistent with the Act and with sound lending practices and principles.

(B) No Loan shall be financed by the Agency from amounts in the Program Account unless the Borrower, the Development and the Loan are eligible under the Act to be financed by the Agency.

(C) The Agency may in its sole and absolute discretion consent to any modification of, or modify, the rate or rates of interest on, or the amount or time of payment of any installment of principal of or interest on, any Loan or the security for or any terms or provisions of any Borrower Note or Deed of Trust.

(D) [No Hedging Instrument shall be entered into by the Agency with respect to all or any portion of the Notes if the entry into such Hedging Instrument would cause any Unenhanced Rating on any Notes to be reduced or withdrawn.]

Section 606. Defaulted Loans. The Agency shall take all steps, actions and proceedings reasonably necessary to recover the balance due and to become due on a Defaulted Loan or to realize the benefit of any insurance of such Loan or guarantee thereof.

Section 607. Disposition or Transfer of Loans. The Agency may sell or otherwise transfer any Loan [upon such terms as it deems appropriate].

Section 608 Issuance of Additional Obligations

(A) The Agency shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Revenues. the trust estate or other security for the Secured Obligations, prior to or on a parity with the lien of this Indenture, except that additional Notes may be issued from time to time in accordance with the limitations of Articles II and III on a panty with Secured Obligations previously issued.

(B) The Agency expressly reserves the nght to adopt one or more general or special bond and note resolutions or to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations so long as the same are not a charge or lien prohibited by paragraph (A) of this Section. Specifically, but without limiting the foregoing, the Agency expressly reserves the right to authorize and issue notes. notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, (1) are payable from Revenues after and subordinate to the payment from Revenues of the Secured Obligations, or (2) are payable fiom moneys which are not Revenues as such term is defined in this Indenture.

Section 609. Further Assurance. At any time and all times the Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further tesolutions, acts, deeds, conveyances, assignments, transfers and assurances and enter into such further agreements as may be necessary or desirable for the better assuring, conveying, granting, assigning or confirming all and singular the pledge of and grant of a security interest in the Revenues, the proceeds of the Notes, the Loans and the Accounts hereby pledged or granted, or intended so to be, or which the Agency may hereafter become bound to pledge or grant.

Section 610. Powers as to Notes and Pledge: [General] Obligation. The Agency is duly authorized pursuant to law to authorize and issue the Notes, to enter into this Indenture and to pledge and grant a secunty interest in the Revenues, the proceeds of the Notes, the Loans and the Accounts purported to be pledged hereby in the manner and to the extent provided herein. The Revenues. the proceeds of the sale of the Notes, the Loans and the Accounts so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with. the pledge and grant created hereby, and all corporate action on the part of the Agency to that end has been duly and validly taken. The Notes and the provisions hereof are and will be the valid and binding [general] obligations of the Agency in accordance with their terms and the terms hereof. The Agency shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, the proceeds of the sale of the Notes, the Loans and the Accounts so pledged hereunder and all the rights of the Noteholders hereunder against all claims and demands of all persons whomsoever. ***The Notes shall not be deemed to constitute a debt or liability of the State or any political subdivision thereof other than the Agency, or a pledge of the faith and credit or the taxing power of the State or of any political subdivision thereof; other than the Agency.***

Section **611.** State Pledee. In accordance with the Act, the following pledge is included herein:

The State pledges with the Holders of any Notes issued under this Indenture that the State will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with the Holders or in any way impair the rights and remedies of such Holders until such Notes, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

Section **612.** Books and Records. The Agency shall keep and maintain proper books of record and account in which complete and accurate entries will be made of all transactions relating to the Sotes, the Loans and the Accounts, Such books shall be open to inspection at reasonable times by the Trustee, any Credit Provider and any Holders of not less than five percent *(5%)* in principal amount of Notes then Outstanding.

Section **613.** [Maintenance of Credit Facility.] [The Agency will at all times maintain in effect a Credit Facility enabling it to borrow an amount equal to the principal amount of Notes then authorized by the Indenture plus accrued interest thereon. *On* or prior to the date of the delivery of an Credit Facility to the Trustee and the Issuing and Paying Agent, the Agency shall furnish to the Trustee written evidence fiom the Rating Agency to the effect that the Rating Agency has reviewed the proposed Credit Facility and that the addition or substitution of the proposed Credit Facility to or for the prior Credit Facility will not, by itself, result in a reduction or withdrawal of its rating of the Notes to be secured thereby from the rating which then prevails. The Trustee shall promptly give notice of the acceptance of such Credit Facility to the Owners of the related Notes by first class mail, postage prepaid, to the addresses appearing on the registration books, if any.]

Section **614.** Appointment of Dealers. The Agency shall take all reasonable steps necessary to assure that, at all times, there shall be one or more Dealers for the Notes, and to that end shall from time to time enter into one or more Dealer Agreements with such Dealers, providing for the services specified in such Dealer Agreements to be performed by such Dealers, in connection with the offering, sale and issuance of Notes. The Agency hereby appoints ____________________________, as the initial Dealers with respect to the Notes.

ARTICLEMI

SUPPLEMENTAL INDENTURES EFFECTIVE WITHOUT THE CONSENT OF NOTEHOLDERS OR CREDIT PROVIDERS

Section **701.** Supplemental Indentures Effective upon Execution. For any one or more of the following purposes and at any time or fiom time to time, a Supplemental Indenture may be entered into by the Agency and the Trustee which Supplemental Indenture, upon the execution and delivery thereof by an Authorized Officer of the Agency and by the Trustee, and without the consent of any Credit Provider or of the Noteholders, shall be fully effective in accordance with its terms:

(A) To appoint a successor Fiduciary;

(B) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein;

(C) To modify, amend or supplement this Indenture or any Supplemental Indenture in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended or any similar federal statute hereafter in effect or under any state securities registration or "blue sky" law;

(D) To make any other change which does not materially adversely affect the interests of the Noteholders or any of the Credit Providers; or

(E) To make any other change in this Indenture, including any change otherwise requinng the consent of Noteholders as provided in Section 802, if such change affects only Notes which are issued after the effective date of such Supplemental Indenture.

ARTICLE VIII

AMENDMENTS REQUIRING COSSEST

Section S01. Powers of Amendment. In addition to those amendments to this Indenture which are authonzed by Article VIII hereof, any modification or amendment of this Indenture and of the rights and obligations of the Agency and of the Holders of the Notes hereunder, in any particular, may be made by a Supplemental Indenture with the wntten consent of each Credit Provider and the written consent, given as hereinafter provided in Section 802, of the Holders of at least fifty percent (50%) in pnncipal amount of the Notes Outstanding at the time such consent is given; provided- however, that if such modification or amendment will, by its terms, not take effect so long as any Notes of any specified maturity and tenor remain Outstanding, the consent of the Holders of such Notes shall not be required and such Notes shall not be deemed to be outstanding for the purpose of any calculation of Outstanding Notes under this Section; and provided, further, that no such modification or amendment (i) shall permit a change in the terms of maturity of the principal of any Outstanding Notes or of any interest thereon or a reduction in the principal amount thereof or the rate of interest thereon without the consent of the Holder of such Note, or (ii) shall reduce the percentages of Notes the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of a lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien of this Indenture, or deprive the Holders of the Notes of the lien created by this Indenture upon such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Holders of all Notes then Outstanding.

Section 802. Consent of Noteholders. The Agency and the Trustee may at any time execute and deliver a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 801, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto), together with a request to Koteholders for their consent thereto (in a form which shall include a statement that any consent of the Soteholder, once filed with the Trustee, shall be irrevocable), shall be mailed by the Trustee to Noteholders (but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this Section provided). Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when, there shall have been filed with the Trustee (1) the written consents of Holders of the percentage of Outstanding Notes specified in Section 801, and (2) a Counsel's Opinion or opinion of counsel to the Agency stating that such Supplemental Indenture has been duly and lawfully entered into by the Agency in accordance with the provisions of this Indenture, is authorized or permitted by the provisions of this Indenture and, when effective, will be valid and binding upon the Agency. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Notes with respect to which such consent is given, which proof shall be such as is permitted by Section 1102. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient under the provisions of Section 1102 shall be conclusive that the consents have been given by the Holders of the Notes described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Notes giving such consent and upon any subsequent Holder of such Notes and of any Notes issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required percentage of Notes shall have filed their consents to such Supplemental Indenture, the Trustee shall make and file with the Agency a written statement that the Holders of such required percentage of Notes have filed and given such consents. Such written statement shall be conclusive that such consents have been so filed and have been given. At any time thereafter, notice, stating in substance that such Supplemental Indenture (which may be referred to as a Supplemental Indenture executed by the Agency on a stated date a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentage of Notes and will be effective as provided in this Section, shall be given to Noteholders by the Trustee by mailing such notice to Noteholders (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as in this Section provided). A record, consisting of the papers required or permitted by this Section to be filed with the Trustee and the Agency, shall be proof of the matters therein stated. Such Supplemental Indenture making such modification or amendment shall be deemed conclusively binding upon the Agency, the Fiduciaries and the Holders of all Notes on the date specified therein or, if no date is specified, on the date the Trustee has received all consents and the Counsel's Opinion referred to in clauses (1) and (2) above, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced prior to the date on which such Supplemental Indenture is conclusively binding.

Section 803. Exclusion of Notes. Notes owned or held by or for the account of the Agency shall be excluded and shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Notes provided for in this Article, and the Agency shall not be entitled with respect to such Notes to give any consent or take any other action provided for in this Article. At the time of any consent or other action under this Article, the Agency shall furnish the Trustee an Officer's Certificate, upon which the Trustee may rely, describing all Notes so to be excluded.

Section 804. Modification of Individual Notes. Nothing in Article VIII or this Article IX shall be interpreted as prohibiting the Agency from modifying or amending the terms of any Note with the consent of the Owner of such Note if such modification or amendment has no material adverse effect on the interests of any Credit Provider or of any other Noteholder.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

Section 901. Powers of Trustee. The Agency hereby determines that there shall be. and there hereby are, vested in the Trustee, in addition to all its property, rights, powers and duties mentioned or referred to in any other provision of this Indenture, the rights, powers and duties in this Article provided in *trust* for the Noteholders.

Section 902. Events of Default. Each of the following shall constitute an event of default under this Indenture and is herein called "Event of Default":

(1) if interest on any of the Notes shall not be paid when due, or any principal of any of the Notes shall not be paid when due, whether at maturity or upon call for redemption; or

(2) if there shall have been entered an order or decree, by a court having jurisdiction in the premises, for relief against the Agency in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian; trustee, sequestrator (or other similar official) of the Agency or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and such order or decree shall have continued unstayed and in effect for a period of sixty (60) consecutive days; or

(3) if there shall have been instituted or commenced by the Agency a voluntary case under any applicable bankruptcy, insolvency, receivership or other similar law now or hereafter in effect, or the Agency shall have consented to the entry of an order for relief against it in any involuntary case under any such law, or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Agency or of any substantial part of its property, or the Agency shall have made an assignment for the benefit of creditors, or failed generally to pay its debts as they become due, or admitted in writing such failure, or shall have taken any action in the furtherance of any such action; or

(4) if the State has limited or altered the rights of the Agency pursuant to the Act, as amended to the date of this Indenture, to fulfill the terms of any agreements made with the Holders of Notes or in any way impaired the rights and remedies of Holders of Notes prior to the time such Notes, together with the interest thereon and with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Agency to pay interest on any of the Notes when due or to pay any principal when due as required pursuant to this Indenture unless the Trustee shall be specifically notified in writing of such default by the Agency, any Credit Provider or the Holders of at least five percent (5%) in pnncipal amount of the Notes then Outstanding, and in the absence of such notice so delivered the Trustee may conclusively assume that there is no Event of Default except as aforesaid.

Section 903. Enforcement by Trustee. Upon the happening and continuance of an Event of Default described in the preceding Section, the Trustee shall give notice of such Event of Default to each Credit Provider, and in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Notes may, after notice to the Agency, and upon the written request of any Credit Provider or of the Holders of not less than twenty-five percent (25%) in principal amount of the Notes then Outstanding shall, proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Notes themselves might do, the rights of such Noteholders under the laws of the State or under this Indenture by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Holders of Notes, including the right to require the Agency to receive and collect Revenues adequate to carry out the pledge, the assignments in trust and the covenants and agreements made herein.

and to require the Agency to carry out any other covenant or agreement with Noteholders and to perform its duties under the Act;

(2) by bringing suit upon the Notes;

(3) by action or suit in equity, to require the Agency to account as if it were the trustee of an express trust for the Holders of Notes;

(4) by realizing or causing to be realized through sale or otherwise upon the security pledged hereunder;

(5) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of Notes.

In the enforcement of any rights and remedies hereunder, the Trustee, in its own name and as trustee of an express trust on behalf of and for the benefit of the Holders of all Notes, shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Agency for principal, interest or otherwise, under any provision hereof or of the Notes, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Notes, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Notes, without prejudice to any other right or remedy of the Trustee or of the Noteholders, and to recover and enforce a judgment or decree against the Agency for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Section 903. Representation of Noteholders by Trustee. The Trustee is hereby irrevocably appointed (and the Noteholders by accepting and holding the Notes shall be conclusively deemed to have so appointed the Trustee and to have mutually covenanted and agreed, each with the other, not to revoke such appointment) the true and lawful attorney-in-fact of the Noteholders with power and authority, in addition to any other powers and nghts heretofore granted the Trustee, at any time in its discretion to make and file in any proceeding in bankruptcy or judicial proceedings for reorganization or liquidation of the affairs of the Agency either in the respective names of the Noteholders or on behalf of all the Noteholders as a class, any proof of debt, amendment of proof of debt, petition or other document, to receive payment of any sums becoming distnbutable to the Noteholders, and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Noteholders against the Agency allowed in any bankruptcy or other proceeding.

Section 905. Limitation on Powers of Trustee. Nothing in this Indenture shall be deemed to give power to the Trustee either as such or as attomey-in-fact of the Noteholders to vote the claims of the Noteholders in any bankruptcy proceeding or to accept or consent to any plan of reorganization, readjustment, arrangement or composition or other like plan, or by other action of any character to waive or change any right of any Noteholder or to give consent on behalf of any Noteholder to any modification or amendment hereof requiring such consent or to any Supplemental Indenture requinng such consent pursuant to the provisions of Article VIII or Article IX.

Section 906. Action by Trustee. (A) All rights of action hereunder or upon any of the Notes enforceable by the Trustee may be enforced by the Trustee without the possession of any of the Notes or the production thereof at the trial or other proceedings relative thereto, and any such suit. action or proceeding instituted by the Trustee may be brought in its name for the ratable benefit of the Holders of said Notes subject to the provisions hereof.

(B) In any action, suit or other proceeding by the Trustee, the fees, counsel fees and expenses of the Trustee shall constitute chargeable costs and disbursements, and all costs and disbursements allowed by the court shall be a first charge on the Revenues.

Section 907. Accountine and Examination of Records after Default. The Agency covenants with the Trustee and the Noteholders that, if an Event of Default shall have happened and shall not have been remedied, (1) the books of record and accounts of the Agency and all records relating to the Notes and the Loans shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, and (2) the Agency, whenever the Trustee shall demand, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under this Indenture for such period as shall be stated in such demand.

Section 908. Restriction on Noteholder's Action. (A) No Holder of any Note shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision hereof or for the execution of any trust hereunder or for any other remedy hereunder, unless (1)(a) such Holder previously shall have given to the Agency and the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) after the occurrence of such Event of Default, written request shall have been made of the Trustee to institute such suit. action or proceeding by any Credit Provider or by the Holders of not less than twenty-five percent (25%) in principal amount of the Notes then Outstanding and there shall have been offered to the Trustee secunty and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (c) the Trustee shall have refused or neglected to comply with such request within a reasonable time; or (2)(a) such Holder previously shall have obtained the written consent of the Trustee to the institution of such suit, action or proceeding, and (b) such suit, action or proceeding is brought for the ratable benefit of all Holders of all Notes subject to the provisions hereof.

(B) No Holder of any Note shall have any right in any manner whatever by its, his or her action to affect, disturb or prejudice the pledge of Revenues and other assets hereunder, or, except in the manner and on the conditions in this Section provided, to enforce any right or duty hereunder.

Section 909. Application of Moneys after Default.

(A) All moneys collected by the Trustee at any time pursuant to this Article shall, except to the extent, if any, otherwise directed by the court, be credited by the Trustee to the Revenue Account. Such moneys so credited to the Revenue Account, and all other moneys from time to time credited to the Revenue Account, shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of Article V.

(B) Subject in all instances to the provisions of Section 913 hereof, in the event that at any time the moneys credited to the Note Account and any other funds held by the Agency or Fiduciaries available for the payment of interest or principal then due with respect to Notes shall be insufficient for such payment, such moneys and funds (other than funds held for the payment or redemption of particular Notes as provided in Section 1103) shall be applied as follows:

First: To the payment of the fees, costs and expenses of the Trustee (including the fees and expenses of counsel) in declaring such Event of Default and pursuing remedies;

Second: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference and to reimburse any Credit Provider for amounts advanced for payment thereof; and

Third: To the payment to the persons entitled thereto of the unpaid principal of any Notes which shall have become due, whether at maturity or by call for redemption, in the order in which they become due and payable, and, if the amount available shall not be sufficient to pay in full all the Notes so due on any date, then to the payment thereof ratably, according to the amounts of principal due on such date, to the persons entitled thereto, without any discrimination or preference, and to reimburse any Credit Provider for amounts advanced for payment thereof.

Section 910. Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to Noteholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 911. Control of Proceedines. In the case of an Event of Default, the Holders of a majonty in pnncipal amount of the Notes then Outstanding shall have the right, subject to the "provisions of Section 908, by an instrument in wntıng executed and delivered to the Trustee. to direct the time. method and place of conducting any proceeding for any remedy available to the Trustee, or esercising any trust or power conferred upon the Trustee; provided, however, that the Trustee shall have the right to decline to follow any direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to Noteholders not parties to such direction.

Section 912. Effect of Waiver and Other Circumstances. No delay or omission of the Trustee or of any Holders of Notes to exercise any nght or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein. and every nght, power and remedy granted or provided herein to them or any of them may be exercised from time to time and as often as may be deemed expedient by the Trustee or, in an appropnate case, by the Noteholders.

Section 913. Rieht to Enforce Pavment of Notes Unimpaired. Nothing in this Article contained shall affect or impair the right of any Noteholder to enforce the payment of the principal of and interest on its Notes, or the obligation of the Agency to pay the principal of and interest on each Note to the Holder thereof, at the time and place expressed in such Note.

Section 914. Termination of Proceedings. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason. then in every such case the Agency, the Trustee and the Noteholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

ARTICLE X

THE FIDUCIARIES

Section 1001. Appointment of Trustee. [Name of Trustee], is hereby appointed as Trustee hereunder for the purpose of receiving all moneys which the Agency is required to deposit or cause to be deposited with the Trustee hereunder, to hold in trust, allocate, use and apply the same as provided in this Indenture and otherwise to hold all the offices and to perform all the functions and duties provided in this Indenture to be held and performed by the Trustee. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of such person's own affairs. The Trustee hereby signifies its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering this Indenture; and by executing and delivenng this Indenture, the Trustee is deemed to have accepted such duties and obligations, but only upon the terms and conditions set forth in this Indenture. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights and powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee shall perform its functions and duties hereunder on its own behalf as Trustee hereunder.

The Agency and the Trustee shall establish such accounting, notice and other relationships as are necessary to provide for the operation of the Accounts and sub-accounts created under or pursuant to Articles IV and V hereof, and the handling of the assets (including Loans) credited thereto in accordance herewith.

Section 1002. Term of Office of Trustee.

(A) The Agency may remove the Trustee upon thirty (30) days' prior written notice at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding (or their attorneys duly authonzed in writing) or if at any time the Trustee shall cease to be eligible in accordance with paragraph (D) of this Section, or shall become incapable of acting. or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by Supplemental Indenture. Notice of such removal shall be provided to each Credit Provider.

(B) The Trustee may at any time resign by giving written notice of such resignation to the Agency and each Credit Provider and by giving each Noteholder notice of such resignation by mail. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by Supplemental Indenture.

(C) Any removal or resignation of the Trustee and appointment of a successor Trustee shall not become effective until acceptance of appointment by the successor Trustee and each Credit Facility has been transferred to such successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or

notice of resignation as aforesaid, the Agency, the resigning Trustee, any Credit Provider or any Noteholder (on behalf of itself and all other Nateholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless on the request of the Agency or request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Any such successor Trustee shall promptly notify each Credit Provider and Issuing and Paying Agent of its appointment as Trustee. Upon acceptance of appointment by a successor Trustee as provided in this paragraph (C), the Agency shall mail to each Noteholder a notice of the succession of such Trustee to the trusts hereunder. If the Agency fails to mail such notice within ten (10) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed.

(D) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company doing business and having an office in California, having a combined capital and surplus of at least seventy-five million dollars ($75,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall :ease to be eligible in accordance with the provisions of this paragraph (D), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 1003. Mereer or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under paragraph (D) of Section 1002, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 1004. Compensation. Subject to the terms of any other contract between the Agency and the Trustee, the Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture and reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of their attorneys, agents and employees, incurred in good faith in and about the performance of their powers and duties under this Indenture. The Agency further agrees, to the extent permitted by law, to indemnify and save the Trustee harmless against any liabilities (including, but not limited to, the fees and expenses of counsel) which it may incur in the exercise and performance of its powers, functions and duties under this Indenture, which are not due to the Trustee's own negligence or willful misconduct.

Section 1005. Liability of Trustee. The recitals of facts herein and in the Notes contained shall be taken as statements of the Agency, and the Trustee assumes no responsibility for the correctness of the same, and makes no representation as to the validity or sufficiency of this Indenture or of the Notes, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations herein or in the Notes assigned or imposed. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Notes. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. Any Fiduciary may become the owner of Notes with the same rights it would have if it were not such Fiduciary, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the sights of Noteholders, whether or not such committee shall represent the Holders of a "majority in principal amount of the Notes then Outstanding.

Section 1006. Right of Trustee to Relv on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Holder of a Note unless and until such Note is submitted for inspection, if required, and such person's title thereto satisfactorily established if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 1007. Preservation and Insoection of Documents. Reports. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Agency, any, Credit Provider and the holders of at least five percent *(5%)* in principal amount of the Notes, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions. Promptly after request therefor by the Agency, any Credit Provider or such Noteholders, or their agents and representatives duly authorized in writing, the Trustee shall furnish a written report in reasonable detail of the amount and description of any or all funds or investments held by it under this Indenture.

Section 1008. Issuing and Pavine Aeents.

(A) [Name of Issuing and Paying Agent] is hereby appointed to act as Issuing and Paying Agent for the Notes. The Agency may, at any time or from time to time, by an Officer's Certificate, appoint replacement Issuing and Paying Agents for the Notes. Each Issuing and Paying Agent shall be a bank, trust company or national banking association doing business and having its principal office in the States of California, Illinois or New York, having trust powers and having a capital and surplus aggregating at least fifty million dollars ($50,000,000). willing and able to accept the office on reasonable and customary terms and authonzed by law to perform all the duties imposed upon it hereby. Each Issuing and Paying Agent shall signify its acceptance of the duties and obligations imposed upon it hereby-by executing and delivering to the Agency and the Trustee a written acceptance thereof. The Trustee shall enter into such arrangements with any such Issuing and Paying Agent as shall be necessary and desirable to enable such Issuing and Paying Agent to carry out the duties of its office. The Agency may remove any Issuing and Paying Agent at any time by giving written notice of such removal to such Issuing and Paying Agent and to the Trustee. Any Issuing and Paying Agent may at any time resign by mailing notice of such resignation to the Agency, the Trustee, the Noteholders and any related Credit Provider. In the event of the resignation or removal of any Issuing and Paying Agent, such Issuing and Paying Agent shall pay over, transfer, assign and deliver any moneys held by it to its successor or, if there be no successor then appointed, to the Trustee. The Trustee shall mail prompt notice to the Noteholders and the Credit Providers of the acceptance of appointment by any successor Issuing and Paying Agent. Any Issuing and Paying Agent appointed under the provisions of this Section shall satisfy the criteria for eligibility set forth in this paragraph (A) with respect to an original appointment as a Issuing and Paying Agent.

(B) The Agency shall maintain Issuing and Paying Agent for the Notes in New York, New York.

(C) Any company into which any Issuing and Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which any Issuing and Paying Agent shall be a party or any company to which such Issuing and Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such company is qualified to be a successor to such Issuing and Paying Agent under paragraph (A} of this Section and shall be authorized by law to perform all the duties imposed upon it hereby, shall be the successor to such Issuing and Paying Agent without the execution or filing of any paper or the performance of any further act.

ARTICLE XI

MISCELLANEOUS

Section 1101. Defeasance. (A) If the Agency shall pay or cause to be paid to the Holders of the Notes the principal and interest to become due thereon, at the times and in the manner stipulated therein and herein, and shall pay or cause to be paid all other Secured Obligations hereunder (unless waived by the beneficiaries of such Secured Obligations), then the pledge of the Revenues, Loans. Accounts and moneys and securities therein hereby pledged and the covenants, agreements and other obligations of the Agency to the Noteholders hereunder shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Agency expressed in an Officer's Certificate delivered to the Trustee, execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over and deliver to the Agency all moneys or securities held by them pursuant hereto which are not required for the payment or redemption of Notes not theretofore surrendered for such payment or redemption and shall reconvey to the applicable Credit Provider any credit facility or liquidity facility in accordance with its terms or as may be directed by the Credit Provider.

(B) Any Notes or interest installments appertaining thereto for the payment or redemption of which moneys shall have been deposited with the Trustee by or on behalf of the Agency, whether at or pnor to the maturity or the redemption date of such Notes, shall be deemed to have been paid within the meaning of this Section; provided, however, that if any such Notes are to be redeemed prior to maturity thereof, there shall have been taken all action necessary to call such Notes for redemption and notice of such redemption shall have been duly given or provision satisfactory to the

Trustee shall have been made as follows: (a) in case any of said Notes are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide, as provided in Article VII hereof, notice of redemption on said date of such Notes, and (b) in the event said Notes are not by their terms subject to redemption within the next succeeding thirty (30) days, the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to provide written notice to the Noteholders, as soon as practicable, that the deposit required by this Section has been made with the Trustee and that said Notes are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of said Notes. No moneys so deposited with the Trustee shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of the Notes for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption, excepting only that (a) any money so held by the Trustee for the payment of the Holders of any particular Notes of principal of or interest on, such Notes shall be invested by the Trustee, upon receipt of an Officer's Certificate of the Agency, authorizing such investment, only in Investment Obligations described in clause (i) of the definition thereof in Section 101 hereof as the Agency may approve; provided that any cash received from pnncipal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Obligations described in clause (i) of the definition thereof maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Notes on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Agency, to the extent not needed for payment of the Notes as aforesaid, as received by the Trustee, free and clear of any trust, lien, assignment in trust or pledge.

(C) As analtemative cumulative to and not excluding the provisions of paragraph (B) of this Section, any Notes or interest installments appertaining thereto, whether at or prior to the matunty or the redemption date of such Notes, shall be deemed to have been paid within the meaning of this Section if (1) in case any such Notes are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Notes for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made as set forth in paragraph (B) of this Section, and either (i) there shall have been deposited with the Trustee by or on behalf of the Agency either (a) moneys in an amount which shall be sufficient, or (b) Investment Obligations described in (i) of the definition thereof in Section 101 the principal of and the interest on which when due and without reinvestment will provide moneys which, together with the moneys, if any. deposited with the Trustee at the same time, shall be sufficient to pay when due the principal and interest due and to become due on said Notes on and prior to the redemption date or matunty date thereof, as the case may be; or (ii) the Credit Provider for such Notes shall have consented to such redemption and shall have agreed to advance amounts sufficient to provide the amount described in the preceding clause (i). Neither such Investment Obligations nor any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or interest on said Investment Obligations shall be withdrawn or used for any purpose other than the payment, when due, of the principal of the Notes for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption, and all such moneys shall be held in trust for and be applied to such payment until such payment is made.

(D) If, through the deposit of moneys by the Agency or otherwise, the Fiduciaries shall hold. pursuant hereto, moneys sufficient to pay the principal of and interest at maturity on all Outstanding Notes, then at the request of the Agency all moneys held by any Issuing and Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or redemption of Outstanding Notes.

(E) Anything herein to the contrary notwithstanding, any moneys, other than remarketing proceeds, held by a Fiduciary in trust for the payment and discharge of any of the Notes which remain unclaimed for two years after the date when such Notes have become due and payable, either at maturity or by call for redemption, if such moneys were held by the Fiduciary at said date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Notes became due and payable, shall, at the request of the Agency expressed in one or more Officer's Certificates delivered to the Trustee, be paid by the Fiduciary to the Agency as its absolute property and free fiom trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of such Notes shall look only to the Agency for the payment thereof; provided, however, that before being required to make any such payment to the Agency, the Fiduciary shall, at the expense of the Agency, cause written notice to be sent to the Holders of such Notes, at the address shown on the registration books of the Trustee, that said moneys remain unclaimed and that, after a date named in said notice, the balance of such moneys then unclaimed will be paid to the Agency.

Section 1102. Evidence of Signatures of Noteholders and Ownership of Notes. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by Noteholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Noteholders in person or by their attorneys duly authorized in writing. Proof of (1) the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, or (2) the holding by any person of any Notes shall be sufficient for any purpose hereof if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(A) The fact and date of the execution by any Noteholder or his or her attorney of any such instrument may be proved (1) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act that the person signing such instrument acknowledged to him or her the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer, or (2) by the certificate. which need not be acknowledged or verified, of an officer of a bank, trust company or duly licensed securities broker or dealer satisfactory to the Trustee that the person signing such instrument acknowledged to such bank, trust company, firm or broker or dealer the execution thereof.

(B) The authority of a person or persons to execute any such instrument on behalf of a corporate Noteholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

(C) The holding of Notes, the amount, numbers and other identification thereof, and the date of holding the same, shall be proved by the Note registration books of the Trustee.

Any request, consent or other instrument executed by the Holder or owner of any Note shall bind all future Holders and owners of such Note in respect of anything done or suffered to be done hereunder by the Agency or any Fiduciary in accordance therewith.

Section 1103. Moneys Held for Particular Notes. The amounts held by any Fiduciary for the payment of the interest or principal due on any date with respect to particular Notes shall, pending such payment, be set aside and held in trust by it for the Holders of the Notes entitled thereto, and for the purposes hereof such interest or principal after the due date thereof, shall no longer be considered to be unpaid.

Section 1104. Cancellation of Notes. All Notes purchased, redeemed or paid shall, if surrendered to the Agency or any Issuing and Paying Agent, be cancelled by either of them and delivered to the Trustee, or if surrendered to the Trustee, be cancelled by it. No such Notes shall be deemed Outstanding hereunder and no Notes shall be issued in lieu thereof.

Section 1105. Preservation and Inspection of Documents. All reports, certificates, statements and other documents received by any Fiduciary under the provisions hereof shall be retained in its possession and shall be available at all reasonable times to the inspection of the Agency, any other Fiduciary, any Credit Provider or any Noteholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of such Fiduciary, be destroyed or otherwise disposed of at any time six years after such date as the pledge of the Revenues created hereby shall be discharged as provided in Section 1101.

Section 1106. No Recourse on Notes. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Indenture shall be deemed to be the covenants, stipulations; promises, agreements and obligations of the Agency and not of any director. officer or employee of the Agency in his or her individual capacity, and no recourse shall be had for the payment of the pnncipal of or interest on the Notes or for any claim based thereon or hereunder against 'any director, member, officer or employee of the Agency or any natural person executing the Notes.

Section 1107. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1108. Destruction of Notes. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Agency of any Notes the Trustee shall destroy such Notes and deliver a certificate of such destruction to the Agency.

Section 1109. Notices. Unless otherwise specified herein or in a Supplemental Indenture, it shall be sufficient service or giving of any notice, request, certificate, demand or other communication if the same shall be sent by registered or certified mail, return receipt requested, or by private courier service which provides evidence of delivery, postage or other charges prepaid. or sent by trlecopy or other electronic means which produces evidence of transmission, confirmed by first class mail. and in each case shall be deemed to have been given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission. Unless a different address is given by either party as provided in this Section, all such communications shall be addressed as follows:

If to the Trustee at its Principal Office:

If to the Issuing and Paying Agent at its Principal Office:

If to the Agency:

California Housing Finance Agency
1121 L Street, 7th Floor

Sacramento, California 95814
Attention: Executive Director

The Agency and the Trustee, by notice given hereunder, may designate any different addresses to which subsequent notices, certificates, requests, demands or other communications shall be sent.

All written notices required under this Indenture shall be by hand delivery, by first class mail (postage prepaid), or by telegram (charges prepaid), by facsimile transmission, or by cablegram, telex or teletype, promptly confirmed by letter (postage prepaid), and any such notice shall be effective when received.

Section 1110. Credit Providers. (A) Notwithstanding anything contained herein to the contrary, all provisions hereof regarding consents, approvals, directions, waivers, appointments, requests or other actions by any Credit Provider shall be deemed not to require or permit such consents, approvals, directions. waivers, appointments, requests or other actions and shall be read as if such Credit Provider were not mentioned therein (a) during any period during which there is a payment default under its Credit Facility, or (b) after the related Credit Facility shall at any time for any reason cease to be valid and binding on such Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after such Credit Provider has rescinded, repudiated or terminated the related Credit Facility; provided, however, that the payment of amounts due to such Credit Provider pursuant to the terms hereof shall continue in full force and effect. The foregoing shall not affect any other rights of such Credit Provider.

(B) All provisions herein relating to the nghts of any Credit Provider shall be of no force and effect if there is no Credit Facility in effect and there are no Notes owned by such Credit Provider or in which the Credit Provider has a secunty interest and all amounts owing to the Credit Provider have been paid. In such event, all references to such Credit Provider shall have no force or effect.

Section 1111. Execution in Counterpart. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an onginal: and all such counterparts, or as many of them as the Agency and the Trustee shall preserve undestroyed. shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the CALIFORNIA HOUSING FINANCE AGENCY has caused this Indenture to be signed in its name by its Director of Financing and its seal to be hereunto affixed and attested by the Secretary of the Board of Directors, and [NAME OF TRUSTEE], in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by one of its authorized officers, all as of the day and year first above written.

CALIFORNIA HOUSING FINANCE AGENCY

[Seal] By: ______________________________
Director of Financing

Attest:

____
Secretary of the Board of Directors

[NAME OF TRUSTEE], as Trustee

By: ______________________________
Authorized Officer

Attest:

____
Authorized Officer

State of California

MEMORANDUM

To: Board of Directors

Date: May 1, 2000

From: Theresa A. Parker, Executive Director TAP
CALIFORNA HOUSING FINANCE AGENCY

Subject: UPDATE TO THE CHFA FIVE-YEAR BUSINESS PLAN
Resolution 00-13

As the California Housing Finance Agency completes its 25th year of operation, I am very pleased to offer for your consideration the eighth annual CHFA Five-Year Business Plan (2000/01 - 2004/05) and a resolution for its adoption. This proposed update to the plan has been prepared based upon policy discussions and direction consistent with the Board's philosophies as received throughout the past year. It will act as a road map for staff to follow and for the Board to measure our performance as together we carry out the Agency's core mission to finance below market rate loans to create safe, decent, and affordable rental housing and to assist first-time homebuyers in achieving the dream of home ownership.

Development of this year's plan update has been an ongoing effort over the last year as we incorporated concepts discussed at the Board meetings, including especially the mid-year reviews with their emphasis on our multifamily programs. As in previous years. we have also hosted focus group discussions with our lender and developer client base to hear their reactions to our preliminary proposals.

The updated plan proposes a record-setting $8.8 billion of housing-related economic activity over the next five years. This level of activity includes $5 billion of new single family first mortgages, $1.6 billion of multifamily lending, $1.9 billion of CaHLIF mortgage insurance. and another $300 million of lending in support of our mainline activities. New construction to be stimulated over the five-year period of the plan is estimated to support the creation of 58,000 new jobs.

In addition to the activities outlined in the plan, new opportunities can be expected to arise throughout the five-year planning period. For example, during this coming fiscal year we may see enactment of Governor Davis's proposed downpayment assistance program for teachers, enactment of any of a number of housing proposals currently being suggested by housing advocates, submission to the voters of a State general obligation bond proposal to fund housing programs. and implementation of the California Debt Limit Allocation Committee's "Extra Credit Teacher Home Purchase Program". While it was considered premature to include these program proposals in the updated plan, the staff intends to respond dynamically to these opportunities as they come. bringing them to the Board for approval at the appropriate time.

It should also be noted that. in addition to the $8.8 billion of CHFA/CaHLIF programs. the updated plan describes another $160 million of housing programs that the Agency currently administers by contract. Conceivably some of the new opportunities discussed above may be administered in the same way.

In order to realize the goals of the plan as well as take advantage of new opportunities, the staff will creatively maximize the leveraging of our financial resources, including private activity bond allocation, while managing risks in a fiscally prudent manner. As in prior years, we will strive to reach our customer base of very low to moderate income families by promoting greater affordability and by emphasizing the preservation of federally-assisted rental housing. And finally, we will continue to look at innovative ways to utilize emerging technologies to ensure operational efficiencies.

The staff of the Agency looks forward to the next five years of opportunities to work with the Board of Directors to implement the goals and objectives of the Business Plan. as we build on our first 25 years of successfully assisting the citizens of California.

Gray Davis, Governor
State of California

CALIFORNIA HOUSING FINANCE AGENCY

Five- Year Business Plan
Fiscal Years
2000/2001 to 2004/2005

For Presentation to the
Board of Directors
May 11, 2000

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CALIFORNIA HOUSING FINANCE AGENCY
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2000 Business Plan Overview

CHFAs 2000 Business Plan proposes $6.84 billion for single family and multifamily lending programs and $1.92 billion in loan insurance activity for a total of $8.76 billion for the 2000/01 to 2004/05 five-year period. This compares with $7.1 billion of CHFA programs proposed for the five-year period of the previous plan. This increase in proposed new business stems from changing market conditions and new opportunities which promote more aggressive multifamily lending programs and mortgage insurance activities.

The planned level of single family mortgage lending would be continued again this year at $1 billion per year for 2000/01 and for the remainder of the five-year plan period, thus maintaining a five-year target of $5 billion. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the $1 billion goal should be attainable in the coming fiscal year given the expected size of our calendar year 2000 private activity bond allocation. Beyond 2000, however, additional annual allocation will be required as our opportunities are reduced to re-use allocation received in prior years.

For multifamily lending the 2000/01 goal is $787 million, with a total target of $1.7 billion for the five-year period. This latter figure is $846.5 million above the previous five-year goal. Projections of increased use of our very successful Preservation Loan Program as well as our opportunities for "wholesale" loan acquisitions account for the doubling of the previous plan goals.

Total CaHLIF activity in the 2000 plan is proposed at $436 million for the 2000/01 fiscal year and $1.9 billion for the five-year period. This compares to 1999 plan goals of $385 million in fiscal 1999/00 and $1.18 billion for the 1999/00 - 2003/04 plan period. Over the past five years CaHLIF has doubled its portfolio and changed its emphasis away from insuring primarily CHFA loans.

Housing Activity to be Stimulated

It is estimated that the new construction activity ($2 billion in newly-constructed single family homes and $200 million in new affordable multifamily rental units) financed under this plan will support the creation of 58,000 jobs (Source for multiplier: Construction Industry Research Board). In addition, there will be a significant economic impact resulting from CHFAs financing of single family resale homes and multifamily acquisition/rehabilitation projects and from CaHLIF's mortgage insurance.

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CALIFORNIA HOUSING FINANCE AGENCY
Five-Year Business Plan
FISCAL YEARS 2000104 - 2004105
INTRODUCTION

Plan Purpose

The purpose of this document is to provide the Board of Directors of the California Housing Finance Agency (CHFA) with a proposed business plan for the next five fiscal years. This plan is intended to enhance the Board's ability to address the affordable housing needs of California by instituting a comprehensive framework for Board decision-making, by providing guidance to staff, and by setting forth benchmarks against which to measure the success of programs and the effective use of operating resources. As such, the particular housing finance and loan insurance programs recommended in the plan were formulated in an effort to increase the single and multifamily affordable housing stock, maximize CHFA's restricted resources and stimulate the housing-related economy of California.

Background

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

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

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

Assumptions Underlying Plan Goals

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

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

1999 Business Plan - Progress to Date as of May 2000

As shown in the table below, CHFA lending programs are currently projected for fiscal 1999/00 to slightly exceed their combined $1.2 billion goal; however, CaHLIF activity will fall somewhat short of the insurance goal.

	1999-2000 GOAL	ESTIMATED ACTUAL	PERCENTAGE OF GOAL
	(millions of $)		
Single Family Programs	$1,017	$1,016.1	100%
Multifamily Programs	155	193.6	125%
Insurance Programs	385	261.6	68%

Single family first mortgage loan volume is projected to reach its $1 billion goal for the year, a production level that will exceed last year's record-setting pace of $934.8 million. Full employment, generally favorable economic conditions, downpayment assistance, the 365-day-per-year availability of our loan product, and our active program management all contributed to the achievement of the high level of single family loans originated.

Multifamily lending Commitments are projected to total $193.6 million for fiscal 1999/00, substantially above the goal of $155 million for the year and above last year's $167 million level of achievement. The main reason for the increased volume was stronger-than-expected demand for housing preservation commitments.

Insurance activity is projected at $261.6 million in fiscal 1999/00, somewhat below the goal of $385.1 million in the 1999 plan but significantly above the $179 million of activity *achieved in fiscal year 1998-99. Program goals are not being met for insuring CHFA single family loans, for the conventional mortgage 97% CaHLIF insurance program, and for the 100% Loan/FHLMC program. However, CaHLIF achieved an important milestone in the 1999 calendar year by underwriting new insurance for significantly more conventional loans (1,094) than CHFA loans (394).

2000 Business Plan Overview

CHFAs 2000 Business Plan proposes a total of $6.84 billion for housing programs and $1.92 billion in insurance activity for a total of $8.76 billion for the 2000/01 to 2004/05 five-year period. This compares with $7.1 billion of CHFA/CaHLIF programs proposed for the five-year period of the previous plan.

The planned level of single family first mortgage lending is again proposed at $1.0 billion per year for 2000/01 and for the remainder of the five-year plan period thus maintaining the five-year target at $5.0 billion. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the $1.0 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation we expect to receive this calendar year. However, beyond the year 2000 annual allocation amounts in the $300 - $400 million range may be required for us to reach our goals. The additional allocation would be needed to make up for the expected decline in opportunities to recycle authority received in prior years.

For multifamily lending the 2000101 goal is $787 million, with a total target of $1.67 billion for the five-year period. This latter figure is $736.5 million above the previous five-year goal. Increased recent activity in our Preservation Loan Program and our new opportunities for "wholesale" loan acquisitions account for our projection of more aggressive plan goals.

Total CaHLIF activity in the 2000 Plan is proposed at $436 million for the 2000/01 fiscal year and $1.92 billion for the five-year period. This compares to 1999 Plan goals of $385 million in fiscal 1999/00 and $1.18 billion for the plan period.

Continuation of the popular and successful Housing Enabled through Local Partnerships ("HELP") program, funded by our Housing Assistance Trust, is proposed at the $20 million per year level for the life of the plan. In its two years of operation $30 million of loans have already been committed to 28 participating local agencies, and we expect to meet the $20 million 1999/2000 goal.

In addition to these CHFA and CaHLIF programs, we are, by contract with the Department of General Services, administering several school facility fee "rebate" programs. These single family and multifamily programs total $155 million for the five-year plan period.

Housing Activity to be Stimulated

It is estimated that the new construction activity (an estimated $2 billion in newly-constructed single family homes and $200 million in new affordable multifamily rental units) financed under this plan will support the creation of 58,000 jobs (Source for multiplier: Construction Industry Research Board). In addition, there will be a significant economic impact resulting from CHFA's financing of single family resale homes and multifamily acquisition/rehabilitation projects and from CaHLIF's mortgage insurance.

Organization of Plan

This introduction is followed by the sections described below:

Table I - Planned and Actual Summary, which displays the goals and actual results for fiscal 1998/99 and the goals and current projections for fiscal 1999/00.

Table II - Plan Summary, showing goals by program for each of the years in the plan period 2000/01 to 2004/05.

Table III - Summary of HAT Proarams. A compilation of the five-year lending goals for the Housing Assistance Trust. (The HAT is the portion of CHFAs reserves that is available for direct investment in various programs.)

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

Financial Summary. This final section discusses in detail the Agency's equity position as of December 31, 1999, the many restrictions on the Agency's reserves, management of the Agency's financial risks, and the projected fiscal effect of the plan over the five-year plan period.

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CALIFORNIA HOUSING FINANCE AGENCY
2000/01 to 2004/05 BUSINESS PLAN
TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions of dollars)

LOAN PROGRAMS

	FY 1998/99		FY 1999/00		
	Planned	Actual	Planned	Act to 3/31	Projected
SINGLE FAMILY PROGRAMS""					
-Single Family Mortgage Loans	$900.0	$934.8	$1,000.0	$638.4	$1,000.0
SF HAT Programs:					
-Single Family Mortgage Assistance	$5.0	$4.5	$15.0	$9.2	$15.0
-Self Help Builder Assistance Program	2.0	0.5	2.0	0.5	1.1
Total Single Family HAT Programs	$7.0	$5.0	$17.0	$9.7	$16.1
TOTAL SINGLE FAMILY PROGRAMS	$907.0	$939.8	$1,017.0	$648.1	$1,016.1
MULTIFAMILY (b)					
Bond Funded Programs					
-New Construction	$70.0	$99.0	$70.0	$13.5	$13.5
-Acquisition/Rehab	30.0	31.4	30.0	1.5	2.2
-Special Needs	6.0	1.6	6.0	0.8	0.8
-Housing Preservation	100.0	24.2	20.0	162.7	173.7
Total Bond Financed Programs	$206.0	$156.2	$126.0	$178.5	$190.2
MF HAT Programs:					
-LIHTC Bridge Loan Program	$5.0	$3.2	$5.0	$0.0	$0.0
-State Local MF Affordable	5.0	0.0	5.0	0.5	1.6
-Preservation Subsidy Loan Program	15.0	5.8	15.0	0.8	1.3
-Option Purchase Loan Program	5.0	0.0			
-Pre-development Loan Program	2.5	0.0	2.5	0.0	0.0
-Special Needs Program Subsidy	1.5	2.1	1.5	0.5	0.5
Subtotal	$34.0	$11.1	$29.0	$1.8	$3.4
TOTAL MULTIFAMILY PROGRAMS	$240.0	$167.3	$155.0	$180.3	$193.6
OTHER HAT PROGRAMS					
-HELP Program (c)	$20.0	$20.0	$20.0	$10.0	$20.0
-Small Business Development	2.0	0.0	2.0	0.3	1.3
TOTAL OTHER HAT PROGRAMS	$22.0	$20.0	$22.0	$10.3	$21.3
TOTAL CHFA LOAN PROGRAMS	$1,169.0	$1,127.1	$1,194.0	$838.7	$1,231.0

(a) Single Family loans purchased
(b) Multifamily loans committed.
(c) Name changed from Locality Initiatives Program

CALIFORNIA HOUSING FINANCE AGENCY
2000/01 to 2004/05 BUSINESS PLAN
TABLE I • PUNNED AND ACTUAL SUMMARY
(In millions of dollars)

INSURANCE PROGRAMS

	FY 1998/99		FY 1999/00		
CaHLIF Programs	Planned	Actual	Planned	Act to 3/31	Projected
-CHFA Mortgages	$65.0	$78.0	$70.0	$30.0	$40.0
-Reinsured/RDA Loans	150.0	59.0	150.0	107.0	150.0
-Freddie Mac Affordable Gold 100	100.0	35.0	100.0	34.0	50.0
-PERS/STRS	50.0	0.0	50.0	3.0	10.0
Sub-total, CaHLIF Ins.	$365.0	$172.0	$370.0	$174.0	$250.0
PMI-Insured/RDA Loans					
-97% RDA-PMI Insured CaHLIF 3% Silent Seconds (COIN)	$7.5	$1.8	$4.5	$3.0	$4.5
Subtotal	$7.5	$1.8	$4.5	$3.0	$4.5
CaHLIF HAT Programs					
-CaHLIF Insured-97% Pledge Pool	$1.5	$1.4	$4.4	$1.4	$1.5
-97% Conventional Loans RDA/HAT 2% Pool	6.0	1.8	2.5	3.2	3.3
-CaHLIF 3% Silent Seconds	2.5	1.8	2.5	0.6	0.7
Subtotal CaHLIF HAT Programs	$10.0	$5.0	$9.4	$5.2	$5.5
Local Agency Pledges					
-97% PMI insured Loans/2% Pool	$0.0	$0.0	$1.2	$1.6	$1.6
TOTAL INSURANCE PROGRAMS	$382.5	$178.8	$385.1	$183.8	$261.6
TOTAL CHFA PROGRAMS	$1,551.5	$1,305.9	$1,579.1	$1,022.5	$1,493.0

CONTRACT ADMINISTERED PROGRAMS

	FY 1998/99		FY 1999/00		
	Planned	Actual	Planned	Act to 3/31	Projected
CONTRACT ADMIN PROGRAMS					
-School Facility Fees Down Payment Assistance Program	$13.5	$0.1	$27.0	$0.9	$1.2
-School Facility Fees Rental Assistance Program	6.0	0.2	13.0	3.4	3.5
TOTAL CONTRACT ADMIN PROGRAMS	$19.5	$0.3	$40.0	$4.3	$4.7

CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BUSINESS PLAN
Fiscal Years 2000/01 to 2004/05
TABLE II - PLAN SUMMARY
(In millions of dollars)

LOAN PROGRAMS

	2000/01	2001/02	2002/03	2003/04	2004/05	5 Yr Total
SINGLE FAMILY PROGRAMS[a]						
Single Family Bond Funded Programs						
-Single Family Mortgage Program	$1,000.0	$1,000.0	$1,000.0	$1,000.0	$1,000.0	$5,000.0
Single Family HAT Programs						
-Single Family Mortgage Assistance	$15.0	$12.5	$7.5	$7.5	$7.5	$50.0
-Self Help Builder Assistance Program	2.0	2.0	2.0	2.0	2.0	10.0
Total Single Family HAT Programs	$17.0	$14.5	$9.5	$9.5	$9.5	$60.0
Total Single Family Programs	$1,017.0	$1,014.5	$1,009.5	$1,009.5	$1,009.5	$5,060.0
MULTI FAMILY PROGRAMS@)						
Bond Financed Programs						
-Retail: Direct Lending	$200.0	$200.0	$200.0	$200.0	$200.0	$1,000.0
-Wholesale: Secondary Market Support	567.0					567.0
Total Bond Financed Programs	$767.0	$200.0	$200.0	$200.0	$200.0	$1,567.0
Multifamily HAT Programs	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0
Total Multifamily Programs	$787.0	$220.0	$220.0	$220.0	$220.0	$1,667.0
OTHER HAT PROGRAMS						
-HELP Program	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0
-Small Business Development	2.0	2.0	2.0	2.0	2.0	10.0
Total Other HAT Programs	$22.0	$22.0	$22.0	$22.0	$22.0	$110.0
TOTAL CHFA LOAN PROGRAMS	$1,826.0	$1,256.5	$1,251.5	$1,251.5	$1,251.5	$6,837.0

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

CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BUSINESS PLAN
Fiscal Years 2000/01 to2004/05
TABLE II -PLAN SUMMARY
(In millions of dollars)

INSURANCE PROGRAMS

	2000/01	2001/02	2002/03	2003/04	2004/05	5 Yr Total
CaHLIF Insurance Programs						
-CHFA Mortgages	$40.0	$40.0	$40.0	$40.0	$40.0	$200.0
-Reinsured/RDA Loans [a]	225.0	225.0	125.0	125.0	125.0	825.0
-100% Loan/FHLMC	100.0	100.0	100.0	100.0	100.0	500.0
-PERS/STRS	55.0	75.0	75.0	75.0	75.0	355.0
Sub-total, CaHLIF Ins.	$420.0	$440.0	$340.0	$340.0	$340.0	$1,880.0
Re-Insured/RDA Loans						
-CaHLIF 3% Silent Seconds (COIN) [b]	$3.5	$6.0	$3.0	$3.0	$3.0	$18.5
CaHLIF HAT Programs						
-CaHLIF Insured-97% Pledge Pool [c]	$2.9	$7.1	$0.0	$0.0	$0.0	$10.0
-97% PMI-Insured Loans RDA/HAT 2% Pool [d]	5.1	4.9	0.0	0.0	0.0	10.0
-CaHLIF 3% Silent Seconds [b]	2.5	0.0	0.0	0.0	0.0	2.5
Sub-total	$10.5	$12.0	$0.0	$0.0	$0.0	$22.5
Local Agency Pledges						
-97% PMI Insured Loans/2% Pool [d]	$2.0	$0.0	$0.0	$0.0	$0.0	$2.0
TOTAL INSURANCE PROGRAMS	$436.0	$458.0	$343.0	$343.0	$343.0	$1,923 0
TOTAL CHFA PROGRAMS	$2,262.0	$1,714.5	$1,594.5	$1,594.5	$1,594.5	$8,760.0

CONTRACT ADMINISTERED PROGRAMS

	2000/01	2001/02	2002/03	2003/04	2004/05	5 Yr Total
CONTRACT ADMIN PROGRAMS						
-School Facility Fees Down Payment Assistance Program	$37.0	$47.0	$22.8	$0.0	$0.0	$106.8
-School Facility Fees Rental Assistance Program	19.1	18.0	11.5	0.0	0.0	48.6
TOTAL CONTRACT ADMIN. PROGRAMS	$56.1	$65.0	$34.3	$0.0	$0.0	$155.4

(a) This $825 million will be insured by CaHLIF and, in tum, reinsured by a private mortgage insurers. This assumes that a secondary market is available.
(b) $2.5 million approved by CHFA Board (3/98) and $7.5 million to be borrowed from insurance companies through COIN and the balance from new commitments.
(c) $10 million was previously resewed as a 2% pledge pool from HAT, of which $2.94 million was pledged as of 12/31/99 The $7.1 million balance, combined with recycled funds will comprise $7.5 million of reserves for 97% loans.
(d) The $825 million in RDA 97% loans will be backed by a $10 million CHFA pledge pool. The CHFA pledge assumes 3% of $200 million in high-cost areas and 1% for $400 million in other areas. Additional pledges supporting the remaining $225 million are assumed to come from RDA's, banks and other participants. CHFA has pledged $5.1 million as of 12/31/99.

CALIFORNIA HOUSING FINANCE AGENCY
Five Year Business Plan - 2000/01 to 2004/05
(In millions of dollars)

TABLE III - SUMMARY OF HAT PROGRAMS

	2000/01	2001/02	2002/03	2003/04	20004/05	5 Yr Total	HAT Recycling	Net HAT Investment
Single Family HAT Programs								
-Single Family Mortgage Assistance	$15.0	$12.5	$7.5	$7.5	$7.5	$50.0	$0.0	$50.0
-Self-Help Builder Assistance Program	2.0	2.0	2.0	2.0	2.0	10.0	0.0	10.0
Total Single Family Programs	$17.0	$14.5	$9.5	$9.5	$9.5	$60.0	$0.0	$60.0
Multifamily HAT Programs	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0	$0.0	$100.0
Other HAT Programs								
- HELP Program	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0	$0.0	$100.0
-Small Business Development	2.0	2.0	2.0	2.0	2.0	10.0	6.0	4.0
Total Other HAT Programs	$22.0	$22.0	$22.0	$22.0	$22.0	$110.0	$6.0	$104.0
CaHLIF HAT Programs								
-CaHLIF Insured-97% Pledge Pool	$2.9	$7.1	$0.0	$0.0	$0.0	$10.0	$0.0	$10.0
-97% PMI-Insured Loans RDA/HAT 2% Pool	5.1	4.9	0.0	0.0	0.0	10.0	0.0	10.0
-CaHLIF 3% Silent Seconds	2.5	0.0	0.0	0.0	0.0	2.5	0.0	2.5
Total CaHLIF HAT Programs	$10.5	$12.0	$0.0	$0.0	$0.0	$22.5	$0.0	$22.5
Total HAT Programs	$69.5	$68.5	$51.5	$51.5	$51.5	$292.5	$6.0	$296.5

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I. SINGLE FAMILY PROGRAMS
FISCAL YEARS 2000/01 - 2004105
FIVE-YEAR BUSINESS PLAN

Mission

The mission of Single Family Programs is to make financing opportunities available to very low, low and moderate income first-time homebuyers.

Objectives

In FY 2000/01 and beyond, CHFA will continue to pursue activities designed to further the following mission objectives of:

- providing qualified first-time homebuyers with supportive mortgage financing,
- maintaining the equitable distribution and availability of mortgage funds statewide throughout the year, and
- maintaining equitable distribution of loan funds between newly constructed and resale homes.

Strategies

Our planned strategies to accomplish our mission and objectives and in particular to maximize the public benefit to very low and low income borrowers include:

- Providing a long-term, fixed-rate first mortgage below conventional market interest rates.
- Providing separate lower mortgage rates for low income borrowers as compared to the rates for moderate income borrowers to maximize housing opportunities for those with lower incomes and leveraging financing resources to the greatest extent.
- Maintaining program initiatives that focus on supporting very low and low income home ownership to include the Affordable Housing Partnership Program (AHPP), the 100% Loan Program, the Self-Help Builder Assistance Program, the Non-Profit Housing Program, and the Rural Development Leveraged Participation program.
- Utilizing interest rate differentials and program incentives such as the 100% Loan Program to support the equitable distribution of resources throughout the state and between new construction and resale.
- Maintaining a statewide network of lending institutions to provide consumer access to CHFA loan products.

- Utilizing updated sales price limits consistent with federal law in order to assist the maximum number of first-time homebuyers, particularly in high housing cost areas.

Program Performance and Strategy Implementation

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

ıd Funded Proarams

Single Family Lending	1999100 Plan Goal:	$1 billion
	Projected:	$1 billion
	2000/01 Plan Goal:	$1 billion
	Five year Goal:	$5 billion

The current fiscal year's business plan includes a single family loan purchase goal requested by Governor Davis of $1 billion. Not only do we expect to achieve the goal but in the process will establish a new Agency single year loan purchase record. As of March 31, 2000, the Agency had purchased 5,345 loans totaling $638 million in the current fiscal year, of which 74% were resale loans and 26% new construction. (See table at the end of this summary for mortgage originations by year.) A total loan purchase volume of $1 billion for the year is projected.

Our goal is to maintain the $1 billion loan purchase level for each year of the Five Year Business Plan. The $1 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation we expect to receive this calendar year. However, beyond the year 2000 annual allocation amounts in the $300 - $400 million range may be required for us to reach our goals. The additional allocation would be needed to make up for the expected decline in opportunities to recycle authority received in prior years. The recycling of past authority has been one of the reasons we have been successful the past few years in achieving significant leveraging of PAB.

Housina Assistance Trust Programs

Single Family Mortgage Assistance Program	1999/00 Plan Goal:	$15 million
	Projected:	$15 million
	2000/01 Plan Goal:	$15 million
	Five year Goal:	$50 million

A $5 million annual allocation from the HAT fund was included in last year's Five Year Business Plan to continue support for our successful California Housing Assistance Program (CHAP), a **100%** loan program comprised of a **97%** long term, fixed rate first mortgage and a deferred payment second mortgage. The deferred second mortgage reduces borrower down payment requirements without increasing monthly loan payments. This product was being used primarily in a number of high cost areas and rural counties and was instrumental in addressing our equitable distribution objective most notably in Los Angeles County.

At mid-year it was clear that the continued demand for this product and its impact on our production objective necessitated an increase in resource availability. In January **2000,** the Board approved the reallocation of the **$25** million five-year commitment into the first two years. As of March **31, 2000,** there had been **2,285** second mortgages purchased for a total of **$9.2** million with an accompanying **$303** million of CHFA first mortgages purchased.

This year's Plan proposes a total funding level of $50 million for the second mortgage portion of the Agency's **100 %** Loan Program. Although this represents a doubling of the program level from last year's Plan for a five year period, it assumes a gradual reduction in the annual availability of down payment assistance as we continue to evaluate the ongoing need and applicability of this limited resource.

Self Help Builders' Assistance Program (SHBAP)	**1999/00** Plan Goal:	$ 2 million
	Projected:	**$1.2** million
	2000/01 Plan Goal:	$ **2** million
	Five year Goal:	**$10** million

This program utilizes **$2** million of Housing Assistance Trust Programs (HAT) funds annually to provide developer loans to non-profit self-help housing sponsors. Homes are built using the mutual self-help approach with families contributing their labor ("sweat equity") in lieu of a cash downpayment.

As of March **31, 2000,** two projects received final SHBAP developer loan commitments totalling $537,700 with another $600,000 projected to be committed by fiscal year-end.

The plan proposes to continue the SHBAP funding level at **$2** million annually, and forward commitments will continue to be provided to the non-profits for self-help homebuyers.

TOTAL SINGLE FAMILY MORTGAGES
First Mortgage Originations
(Fiscal Years)

	Annual Totals		Cumulative Totals	
	Amount	Loans	Amount	Loans
1976/1987	--	--	$1,300,784,854	22,531
1987/1988	$530,428,439	6,291	1,831,213,293	28,822
1988/1989	523,465,338	6,735	2,354,678,631	35,557
1989/1990	426,951,898	5,407	2,781,630,529	40,964
1990/1991	518,292,197	5,946	3,299,922,726	46,910
1991/1992	310,858,475	3,473	3,610,781,201	50,383
1992/1993	126,734,850	1,369	3,737,516,051	51,752
1993/1994	167,021,486	1,647	3,904,537,537	53,399
1994/1995	923,883,551	8,401	4,828,421,088	61,800
1995/1996	656,978,131	6,166	5,485,399,219	67,966
1996/1997	813,388,000	7,797	6,301,378,000	75,763
1997/1998	700,313,933	6,522	7,001,691,933	82,205
1998/1999	934,805,878	8,277	7,936,497,811	90,562
1999/3-31-00	638,363,026	5,345	8,574,860,837	95,907
Mortgages currently in portfolio (March 31, 2000)			$5,011,856,323	50,163

II. CaHLIF PROGRAMS
FISCAL YEARS 2000101 - 2004105
FIVE-YEAR BUSINESS PLAN

Mission

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

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

Strategies

In **2000/01** and beyond CaHLIF will continue to emphasize high-cost areas (creating new product enhancements for those locations) and to promote programs for targeted public employees such as teachers, police and fire fighters.

Program Performance and Strategy Implementation

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

CHFA Mortaaaes

Single Family CHFA Loans	**1999/00** Plan Goal:	$70 million
	Projected:	$40 million
	2000/01 Plan Goal:	$40 million
	Five year Goal:	$200 million

The current year plan set an insurance goal of $70 million, emphasizing high-cost areas and high loan-to-value ratios. Most of the production occurred in the first half of the year, and a total of $40 million is expected by the end of the fiscal year. The shortfall is a result of CHFA lenders increasing their reliance on FHA and VA loan products.

Eighty-two percent of the **1999/2000 CaHLIF-insured** CHFA loans were originated in high-cost areas and sixty-three percent were 97% loans, thirty-seven percent of which were used with a CHFA 3% silent second. Sixty-two percent of the loans were below 80% of county or state-wide median incomes.

This year's production of $40 million is a reasonable annual projection based on the previous fiscal year's production. The production level is dependent on CHFAs program size and allocation.

Conventional Mortaaaes

Reinsured/RDA Loans	1999/00 Plan Goal:	$150 million
	Projected:	$150 million
	2000/01 Plan Goal:	$200 million
	Five year Goal:	$700 million

In the current year, a total loan volume of $150 million is projected as ptoduction continues to grow. Under this program, local redevelopment agencies pledge funds for 5 years to pay losses on 97% loans originated in their jurisdictions. This year twelve redevelopment agencies participated in conjunction with Fannie Mae and Freddie Mac. CHFA has pledged $10 million of HAT funds for those areas not yet participating. Usually, the loans are combined with a CaHLIF 3% silent second loan for 100% financing. Again, high-cost areas are emphasized.

Under the new plan production is expected to reach $225 million in 2000/01 partially as a result of the planned operation of this program on a statewide basis to borrowers with incomes up to 140% of median. For a portion of this program, California-based insurance companies are expected to purchase, at a premium, Fannie Mae or Freddie Mac securities backed by CaHLIF-insured loans. The purchase premium paid by the insurance companies, as investors, is used to offset the borrowers' mortgage insurance premium.

Freddie Mac Affordable Gold 100	1999/00 Plan Goal:	$100 million
	Projected:	$ 50 million
	2000/01 Plan Goal:	$100 million
	Five year Goal:	$500 million

In the current year lenders' production has improved, resulting in $50 million of insurance for the year. This program provides a 100% loan but requires borrowers to have better credit scores than borrowers who make down payments. Thirty-six percent of the borrowers have incomes below 80% of median, and seventy-five percent of the homes being purchased have been in high-cost areas.

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

97% CaHLIF Insured Loans	**1999/00** Plan Goal:	***$50*** million
	Projected:	$10 million
	2000101 Plan Goal:	$55 million
	Five year Goal:	**$355** million

This program was implemented last fall. This 97% program has been approved for members of the California Public Employees' Retirement System (CalPERS). Other new initiatives are being started for teachers as well as other employee groups. The California State Teachers' Retirement System (CalSTRS) 95% loan with a 5% silent second was implemented in February. In addition a San Jose teachers' program is currently being implemented.

<u>Other Accomplishments</u>

- Sixty-two percent of CaHLIF insured loans were for families below 80% of median income. Forty-five percent of the loans were made to minorities. Eighty-two percent of the loans were in high-cost counties.
- Loan agreement with Allstate Insurance Company to fund silent seconds for $250 million of first mortgage loans with $2.2 million of second loans sold to Allstate.
- Completed agreements with three new redevelopment agencies with an additional five more expected by the end of this fiscal year.
- Local promotion of special adaptations of CaHLIF programs has occurred in two communities with three more expected by the end of the fiscal year. All are efforts in conjunction with Fannie Mae and Freddie Mac.
- Provided CaHLIF insurance for Freddie Mac Neighborhood-Based Homeownership Assistance Centers in Watts, Boyle Heights, Mayfair Community and Santa Ana.
- Self-help developers received CaHLIF's commitment for a Fannie Mae construction-to-permanent loan program. A $10 million pilot program was developed for the non-profits involved.

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

- CaHLIF's **loss** ratio was 28% for the calendar year, down from 55% in **1998** and 87% in **1997.** The highest private mortgage insurance company loss ratio was 50% in **1999.** CaHLIF's prior year's high **loss** ratio is related to the higher risk of its portfolio, where 82% of its loans have LTV's of 95% or greater and **17%** of its loans are for condominiums.
- CaHLIF's Moody's rating was "Aa3" stable.

- CaHLIF's S&P rating was confirmed at "A+" strong.
- GAAP net income for 1999 was $5.1 million.

Table 1 presents summary information, by program, on CHFAs assumptions regarding program volume (i.e., number of policies and gross insurance) during the next five fiscal years 2000/01 to 2004/05.

TABLE 1
Projected Fiscal Years 2000/01 to 2004/05
Business Plan Volume

	Number of Policies	Grass Insurance Written ($ millions)
CaHLIF:		
CHFNLOCAL PROGRAM	1,600	$ 200
Reinsured/RDA 97%	5,600	700
100% Loan/FHLMC	4,000	500
PERS/STRS	2,840	355
TOTALS	14,040	$1,755
PRIVATELY INSURED:		
CaHLIF 3% Silent Seconds	-	18.5
HAT and Local Pledaes [1]	-	22.5
TOTALS	14,040	$1,796

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

Table **2** summarizes CaHLIF production data and reflects CaHLIF's reported net income per its financial statements since **1980** by calendar year.

TABLE 2
INSURANCE ACTIVITY
1888 - 1999

	NET INCOME	CHFA LOANS	NON-CHFA LOANS	TOTAL INSURED POLICIES	TOTAL AMOUNT INSURED
1999	$5,087,462	5,454	1,696	7,150	$796,573,123
1998	2,361,603	5,986	775	6,761	709,981,432
1997	207,776	6,204	693	6,907	711,561,505
1996	1,567,126	5,982	678	6,660	680,729,151
1995	2,051,742	5,217	571	5,788	575,462,372
1994	869,857	4,009	508	4,517	416,726,849
1993	394,799	3,152	36	3,188	238,324,464
1992	825,180	3,622	34	3,656	272,096,741
1991	940,157	3,824	12	3,836	265,899,826
1990	1,284,214	3,787	0	3,787	240,059,162
1989	1,126,352	2,999	0	2,999	190,706,112
1988	450,565	207	0	207	17,365,928

Table **3** shows the **source** of new loans each year and shows the increase of new non-CHFA loans by calendar year.

TABLE 3
ANNUAL NEW BUSINESS

	NEW CHFA LOANS	AMOUNT	NEW NON-CHFA LOANS	AMOUNT
1999	394	$49,164,567	1,094	$165,436,804
1998	559	71,420,914	283	41,853,640
1997	539	64,432,443	84	11,633,473
1996	094	118,320,177	142	17,705,768
1995	1,406	170,229,087	82	10,664,610
1994	1,243	148,790,334	473	58,762,624
1993	125	11,870,312	3	427,750
1992	505	52,644,654	22	3,135,450
1991	612	64,383,957	12	1,760,355
1990	1,289	83,535,065	--	--
Totals	7,666	$834,791,510	2,195	$311,380,474

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III. MULTIFAMILY PROGRAMS
FISCAL YEARS 2000101 - 2004105
FIVE-YEAR BUSINESS PLAN

Mission

The mission of Multifamily Programs is to make rental opportunities available to very low, low and moderate income persons and families.

Objectives

The objectives of Multifamily Programs include maximizing public purpose benefit, increasing the affordable housing stock in the state, facilitating the preservation of affordable rental housing, and addressing unmet affordable housing needs.

Strategies

As part of our strategy to maximize public purpose benefit, we intend to expand our rental financing activity along two paths, retail and wholesale. The retail component builds upon our existing direct lending operation to increase our level of affordable housing lending activity. The wholesale component is an effort to look beyond our retail efforts to identify activities and programs that would result in additional affordable housing opportunities.

The Multifamily Programs strategies are as follows:

- Provide the lowest practical long-term, fixed rate mortgage to facilitate the greatest affordability while maintaining project viability.
- Continue to facilitate the preservation of at-risk housing utilizing the interim financing program to assist in the timely acquisition of qualified projects, and through the use of tax-exempt and taxable permanent financing including 501(c)(3) bonds for qualified non-profit sponsors.
- Continue the efficient delivery of tax-exempt bonds through the Agency's pooled bond issues in conjunction with the Agency's solid credit ratings.
- Utilize tax-exempt bridge loan financing to qualify projects for 4% tax credits, ensure project viability, and offer bridge loans to leverage tax credit investment in projects.
- Maintain the Special Needs Housing program with its deep interest rate subsidy.
- Extend the affordable life of Fannie Mae's existing portfolio of FHA Section 236 loans in California through the purchase and subsequent refinancing of as many

as 299 projects with up to 32,401 units of low income housing and a total outstanding principal balance in excess of $560 million.

Program Performance and Strategy Implementation

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

Bond Funded Programs

Retail:	1999/00 Plan Goal:	$126 million
	Projected:	$182.4 million
	2000/01 Plan Goal:	$200 million
	Five year Goal:	$ 1 billion

The current Five Year Business Plan anticipated a total of $126 million in final commitments for bond funded projects to include new construction, preservation and special needs projects. As of March 31, 2000, we exceeded that goal with final commitments totalling $178.5 million for 12 projects involving 1,816 units. We had anticipated 70% new construction - 30% preservation; instead 92% of our non-special needs activity was preservation financing. We expect the demand for preservation financing to continue into the new Business Plan with some increase in new construction.

The efforts we have made over the past few years to identify preservation housing needs and the most appropriate means of CHFA support have resulted in the formalization in this Five Year Business Plan of a comprehensive financing approach that addresses both the acquisition and permanent financing needs.

An interim financing program was developed and implemented during this fiscal year for the purpose of timely acquisition of at-risk affordable projects. It has been well received by our clients with three of the eight at-risk project commitments this past year utilizing the interim financing program.

We also provide a long term, fixed rate permanent mortgage that may be used in combination with the interim financing or as a stand alone product. In either case, taxable, tax-exempt, and 501(c)(3) financing would be used depending on the specific needs of each project.

Wholesale:	1999/00 Plan Goal:	N/A
	Projected:	$7.8 million
	2000/01 Plan Goal:	$567 million

The wholesale program objectives are still being developed, and it is too early to establish five-year goals. In recent years we have explored potential wholesale loan opportunities to ascertain whether this was an appropriate role for the Agency. As an example, in the current fiscal year we made commitments to purchase $7.8 million of Fannie Mae securities backed by mortgages for two projects.

We have identified a significant wholesale program opportunity for fiscal year 2000/01 which is to acquire all or part of the Fannie Mae's Section 236 California portfolio. In order to achieve this goal we are outsourcing some of the services so as not to burden our retail lending staff with this workload. The objective will be to acquire the portfolio in the early part of the fiscal year and then develop financing strategies which would facilitate the purchase or refinancing of those loans with longer-term affordability.

Housina Assistance Trust Proaram	1999/00 Plan Goal:	$29 million
	Projected:	$4.9 million
	2000/01 Plan Goal:	$20 million
	Five year Goal:	$100 million

We experienced a lessening of demand for some of our multifamily Housing Assistance Trust programs this year due to the evolution of support for preservation projects. The demand for Low Income Housing Tax Credit Bridge loans has diminished as tax credit investors are increasingly providing alternate means of phased investment. The Standby Transition Loan, which was one of the key elements of our initial preservation financing strategy, is still important, but we are increasingly able to structure that transition support through the use of project cash flow. There was no demand for Pre-Development loans as most of our activtty involved acquisition-rehabilitation projects.

We are proposing the HAT support for multifamily program activity be funded at a $20 million annual level to include the outstanding tax credit bridge loans, transition support, pre-development loans and special needs subsidy based on specific project needs.

The Special Needs Housing Program is designed to provide long-term permanent financing for projects with populations that are "at-risk" and requiring supportive services. The program utilizes HAT funds to subsidize the interest rate to a rate as low as 1%. Generally, the tenants have incomes of less than 50% of median income, necessitating the subsidized interest rate to make the projects economically viable.

Because of the need for supportive services financing and the complexity of structuring the transactions, special needs housing projects have lengthy development time frames. This year we were able to issue a final commitment on one 24-unit project with two more in processing. We anticipate a continuing level of interest and activity that warrants maintaining the $6 million annual mortgage financing level and the $1.5 million HAT subsidy support.

MULTIFAMILY GOALS - FISCAL YEAR 1999-2000

STATUS REPORT -March 31, 2000

BOND FINANCED PROGRAMS:

	APPLICATIONS			COMMITMENTS			GOAL
	PROJECTS	UNITS	DOLLARS	PROJECTS	UNITS	DOLLARS	DOLLARS
New Construction	0	0	$0	[illegible]	315	$13,500,000	$70,000,000
Housing Preservation							
*At-Risk Interim Loans**	(3)	([illegible]71)	$22,205,000	(3)	(414)	$ [illegible]3,451,765	
At-Risk Permanent	10	888	$57,903,247	8	1,430	$1[illegible]9,319,011	$20,000,000
Rehabilitation	2	117	$2,775,000	1	47	$1,500,000	$30,000,000
Special Needs	2	100	$3,891,410	1	24	$773,500	$6,000,000
	14	1,105	$86,774,657	12	1,816	$178,544,276	$126,000,000

* The n[illegible]

HAT PROGRAMS:

	APPLICATIONS	COMMITMENTS	GOAL
LIHTC Bridge Loans	$0	$0	$5,000,000
Standby Transition Loans	$500,000	$775,000	$15,000,000
Special Needs Subsidy	$1,317,455	$543,085	$1,500,000
State/Local MF Afford. Loans	$1,100,000	$500,000	$5,000,000
Pre-Development Loans	$0	$0	$2,500,000
	$2,917,455	$1,818,085	$29,000,000

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IV. OTHER HOUSING ASSISTANCE TRUST (HAT) PROGRAMS
FISCAL YEARS 2000101 - *200412005*
FIVE-YEAR BUSINESS PLAN

The Housing Assistance Trust programs outlined below are discussed separately because they cross boundaries between Single Family and Multifamily.

Mission

The mission of the HAT programs is to support affordable housing opportunities for very low, low and moderate income renters and homeowners.

Objective

The HAT programs objective is to maximize the public benefit through the alternative investment of available CHFA reserves.

Programs

The following is a discussion of those HAT programs not previously discussed in Sections I, II, or III.

Housing Enabled through Local Partnerships (HELP)	1999/00 Plan Goal.	$20 million
	Projected:	$20 million
	2000/01 Plan Goal:	$20 million
	Five year Goal:	$100 million

The HELP Program was introduced in FY 1998/99 with the objective of providing affordable housing opportunities through program partnerships with local government entities consistent with their affordable housing priorities. It represents both an investment in additional homeownership and rental housing throughout California as well as an investment in new and different working relationships with localities.

The first two years of the originally planned five year program have proven highly successful. As of March, 31, 2000, we have committed $30 million in 31 contracts to 28 local government entities.

As we enter the third year of the HELP program, we propose continuing the program beyond the originally contemplated 5 year period at the same program level of $20 million annually.

Small Business Development	1999/00 Plan Goal:	$ 2 million
	Projected:	$1.3 million
	2000/01 Plan Goal:	$ 2 million
	Five year Goal:	$10 million

The objective of the Small Business Program is to create productive partnerships with small builders and developers by providing small business development loans, and to encourage conventional construction lenders to partner with CHFA in making construction financing available to small developers/builders.

There has been a renewed interest in this program with inquiries for developer and compensating balance loans in excess of $5 million from 14 developers. As of March, 31, 2000, we have received seven applications for $1.6 million in Small Business loan requests and have issued two commitments totalling $247,262 to support the development of affordable single family homes. We anticipate continuing demand for these loan funds and are proposing a continuation of the $2 million annual funding level.

V. CONTRACT ADMINISTRATION PROGRAMS (CAP)
FISCAL YEARS 2000/01 - 20042005
FIVE-YEAR BUSINESS PIAN

School Fee Rebate Program

The School Facility Fee Affordable Housing Assistance Program was approved by the Legislature and the Governor on August 27, 1998, and by the voters via Proposition 1A on the November 3, 1998 ballot. The $160 million, multi-year program is funded by the Department of General Services and administered under contract by CHFA.

Single Family Proarams

There are three School Facility Fee programs designated for down payment assistance to homebuyers of newly constructed single family residences, titled: (1) Economically Distressed Areas, (2) Maximum Sales Price $110,000, and (3) First-time Homebuyers - Low income Limits. The amount of the down payment assistance is calculated using all or part of the school facility fees paid by the builder.

The School Facility Fee programs were authorized to begin January 1, 1999, and CHFA began accepting applications for the Single Family programs February 22, 1999. However, school districts had until the end of December 1999 to recertify their school fees under the new law. With recertifications having been accomplished by the start of 2000, program applications have been increasing. Additionally, increases in new home sales prices this past year and a limited supply of homes meeting the $110,000 ceiling for the Maximum Sales Price program has further constrained applications.

School Facility Fee Down Payment Assistance Program	1999/00 Plan Goal:	$27 million
	Projected:	$1.2 million
	2000/01 Plan Goal:	$37 million
	Five year Goal:	$106.8 million

As of March 31, 2000, 'CHFA has approved a total of $906,592 in down payment assistance for the three single family programs with no activity in the Maximum Sales Price $110,000 program and $46,860 in the Economically Distressed Areas program. Most of the activity continues to be under the First-time Homebuyers - Low Income Limits program.

Multifamily Proarams

The fourth School Facility Fee program provides fee rebates to multifamily projects in exchange for a long-term commitment of rental units for very low income renters.

School Facility Fee Rental Assistance Program	*1999100* Plan Goal:	**$13** million
	Projected:	$3.4 million
	2000101 Plan Goal:	**$19.1** million
	Five year Goal:	$48.6 million

Use of this program has also been less than originally projected. in addition to the recertification issue, a federal tax law issue surfaced shortly after the Agency began accepting applications. Following extensive discussions and review with clients and program experts, it was determined that the program would provide two options at time of funding, the original one time payment or a long term forgivable loan. As of March 31, 2000, 25 project applications have received commitments totalling **$4,218,829,** indicating increased levels of activity.

VI. SUPPORT DIVISIONS

A. MARKETING DIVISION
FISCAL YEARS 2000/01 - 2004105
FIVE-YEAR BUSINESS PLAN

Mission

The mission of the Marketing Division is to assist in meeting the Agency's production goals by disseminating information about the Agency so as to achieve instant recognition with the general public, Realtors and real estate brokers and salespeople, the building industry, the providers of affordable multifamily housing and the lending community, that the Agency is THE source for mortgage funding for all those Californians seeking affordable housing.

Strategies

The marketing goals for the Agency are as follows: to assist in achieving the maximum mortgage loan output in both single and multifamily relative to bond allocation limits and its Business Plan goals; to make CHFA a household word throughout the state for those in the affordable housing market; to reach out into the high-cost and under-served areas of the state, as well as the economically depressed areas; to promote our multifamily products and streamlined multifamily underwriting process to nonprofit and for-profit developers and to local governmental agencies; and to expand affordable housing opportunities throughout the state wherever possible.

Program Performance and Strategy Implementation

There were several noteworthy accomplishments this past year. We submitted eight entries in the National Council of State Housing Agency's Annual Awards for Program Excellence, receiving awards in two categories out of 13 (out of the total of 146 entries). We effectively expanded CHFAs new Down Payment Assistance Program, which provides 100% loans to first-time homebuyers in selected markets. We continued a marketing program to make builders and prospective homebuyers aware of the School Facility Fees Downpayment Assistance Program, using a newspaper advertising campaign to take the message directly to the homebuying public.

This year CHFA has also participated in three major trade shows thus far with one more, the Pacific Coast Builders' Conference (PCBC), scheduled before the end of the fiscal year. All of these trade shows are targeted to increase loan volume in the high-cost under-sewed areas of the state. With the upcoming PCBC, we will continue the use of electronic attendee card readers used last year very successfully for the first time, and rather than hand out these materials at the show site, we will be mailing the materials out after the show. This way we are assured that our materials will find their way to the recipients place of business, and it will also expand our mailing list for on-going marketing efforts.

Other tools used in creating a distribution system for our marketing materials include mailings, the CHFA 800 number, direct phone calls and correspondence, and participating lenders, and the CHFA internet website. Our website, in operation for about three years, was recently redesigned to give it a fresh look with easier navigation through the site.

For the new Business Plan, the Agency will continue to utilize every cost-effective marketing tool available to carry out its marketing program, including:

- "CONNECTIONS", a CHFA multifamily affordable housing newsletter, now published three times a year;
- Single family and multifamily consumer information "800" numbers;
- Trade shows and the Building Industry Association, Redevelopment Agencies and other associations of lenders, developers, Realtors@, and public agencies;
- One-on-one personal contact wherever possible with developer/sponsor prospects;
- The Annual Report, as a very effective marketing tool in getting our message out.
- Taking our marketing message directly to Realtors@ with one-on-one meetings with individual listing agents of property in the CHFA affordable range, and in sales meetings at their offices in targeted/ selected areas;

Some new marketing initiatives which will be underway as this plan goes into effect:

- Emerging Technology -- Increasingly, the Internet (with over 75% of the households in the country now on-line) will play a significant role in the Agency's future marketing efforts, not only as a conduit for disseminating marketing information about the Agency via CHFAs website (www.chfa.ca.gov), and as a resource to gather market data to assist in targeting our marketing activity:
    - Statewide Multiple Listing Service Access
    - Website Links with CHFA lenders, Realtors®, Builders, and Localities

Everything cited above is on a continuum. To the extent things work well we will use them, and we will continue to be open to the opportunities that technology, outreach, and partnerships open up for us to "broadcast" our message to our targeted audience -- those who need affordable housing -- and those who assist them in finding it.

B. ADMINISTRATION DIVISION/ INFORMATION TECHNOLOGY
FISCAL YEARS 2000/01 - 2004/05
FIVE YEAR BUSINESS PLAN

Mission

The Administration Division's primary mission is to facilitate the successful operation of the Agency by providing timely human resources, business services, operating budget administration, facilities and equipment, and effective and innovative information technology support to implement and maintain the Agency's programs.

Strategies

The State of California has launched a new e-Government initiative aimed at providing improved access to government via the Internet. CHFA's Information Technology Unit (IT) will be implementing two projects for this effort. First, a "Mortgage Calculator" function will be added to CHFAs web site. A prospective homebuyer can enter basic information that the calculator will use to match the borrower to CHFA's various Single Family Program loan projects. A second project will be to "Web-enable" the Lender Access System (LAS) used for Single Family loan reservations. Once completed, the Web-enabling project will allow access to the LAS over the Internet using a standard web browser rather than the current system which allows access only by direct call via a modem. This will be a tremendous improvement for our lender community. Lastly, the IT unit will be migrating e-mail, word processing and other office functions to a Windows-based solution. This should improve CHFA's ability to respond efficiently to e-mail and other correspondence that comes in via the Internet.

Program Performance and Strategy Implementation

CHFA has looked for opportunities to use the Internet and Web-based technologies to its best advantage. Business Services is using it to procure goods and services at the most competitive prices, and Human Resources is using it as an effective tool for recruitment in this highly competitive job market. And, thanks to the efforts of the IT Unit, CHFA had absolutely no problems during the Year 2000 date change. As part of the State e-Government Initiative, improvements were made to CHFAs website to improve service to the public. For example, lists of participating Single Family Lenders have been added. Site visitors looking for a CHFA Lender can search these lists by ZIP Code, city name, or lender name. Computer programs to build and maintain databases for the School Facility Fee Rebate Down Payment Assistance program and the HELP program have been completed. Additional programming for data tracking and reporting will be completed in the coming year. A project is underway to implement technology and process improvements in the Multifamily Program lending and loan servicing operation. A new computing environment with increased emphasis on Windows-based technology will be implemented in the coming year. CHFA will continue to look for opportunities to use the Internet and Web-based technologies to best advantage.

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C. MULTIFAMILY ASSET MANAGEMENT
FISCAL YEARS 2000101 - 2004/05
FIVE-YEAR BUSINESS PLAN

Mission

To preserve CHFAs affordable housing portfolio by 1) protecting our loans through financial monitoring, workouts, and physical inspections, 2) protecting subsidy funds through occupancy and other financial compliance monitoring on behalf of HUD, and 3) protecting CHFA's rights, the owner/agent's rights and tenants' rights through the interpretation of the Regulatory Agreement, the HUD Manual 4350.3, other HUD directives and State Laws. To lend asset management expertise to CHFA departments, sponsors and property management companies that is helpful, professional, prompt, and timely in order to achieve the maximum benefit for the tenants of CHFA developments.

Strategies

- Division organized in "teams" in both northern and southern California.
- Asset Managers review project operating budgets, audited financial reports, and ongoing project expenditures, including review of funding for capital improvement projects.
- Occupancy Specialists administer the monthly rent subsidy for our Section 8 portfolio and conduct yearly tenant file compliance audits for each project. Also perform annual compliance monitoring for the non-Section 8 projects.
- Inspectors perform annual physical inspection of each project's building components, grounds, and individual units. Periodic inspections occur an additional 1-2 times per year as needed.
- Division assists Programs Division during underwriting process by reviewing proposed operating budgets, participating in concept meetings, and assisting during the loan closing process.
- Division participates with HCD and TCAC as part of the Affordable Housing Task Force to coordinate and share ongoing monitoring and compliance responsibilities with other involved state and local agencies.

Program Performance and Strategy implementation

- Current Portfolio of 164 Section 8 Projects, 158 non Section 8 projects.
- 176 projects in northern region.
- 146 projects in southern region.

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O. LEGAL DIVISION
FISCAL YEARS 2000/01 - 2004/05
FIVE-YEAR BUSINESS PLAN

Mission

The primary mission of the Legal Division is to manage the legal affairs of CHFA as successfully, economically end expeditiously as possible. The legal affairs of CHFA include, but are not limited to, providing legal advice to the Board of Directors, Executive Director and staff in connection with CHFA operations; organizing and conducting meetings of the Board of Directors and maintaining the official minutes; providing Single Family and Multifamily program support; preparing documents for and closing Multifamily program loans; providing support to the Asset Management Division; assisting with bond issuances and coordinating with bond counsel; conducting TEFRA hearings; managing litigation including supervising and assisting attorneys assigned from the State Attorney General's Office or outside litigation counsel; providing support to the Fiscal Services, Administration, Marketing, Information Services divisions and CaHLIF; providing advice on legislation affecting CHFA; assisting in drafting legislation; preparing contracts; conducting ethics orientation and training; maintaining Multifamily program loan files; coordinating Statement of Economic Interests/FPPC filings; drafting regulations; and assisting with CHFAs reporting requirements. In carrying out these responsibilities the Legal Division guides CHFA through a maze of federal, state and local laws which govern its operations.

Strategies

The operations of CHFA, as contemplated by this Business Plan, are extensive and increasingly complex and will raise many complex legal issues to be managed by the Legal Division. It is the goal of the Legal Division to continue to respond to requests for legal services by the other Divisions and to continue to obtain successful, expeditious and economical results. It is also the goal of the Legal Division to proactively seek opportunities to avoid legal problems through anticipation and avoidance techniques.

Program Performance and Strategy Implementation

The Legal Division continues to perform an important supporting role to the other Divisions of CHFA. In a real sense, the dramatic successes of the other Divisions, and the fact that those successes have been achieved without significant legal problems, are attributable, to some extent, to the efforts of the Legal Division.

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E. LEGISLATION
FISCAL YEARS 2000101 - 2004/05
FIVE-YEAR BUSINESS PLAN

Mission

The primary focus of the Legislative Division is to ensure that legislation which fosters CHFAs primary purpose, that of providing financing to meet the housing needs of low-to-moderate income families in California, is monitored, tracked, analyzed and enacted into law.

Strategies

The Legislative Division will continue to review, track and analyze legislation affecting affordable housing and housing finance. We will continue to monitor state and federal legislative matters which impact CHFA programs and operations, develop the Agency's policy positions on legislation, and promote the Agency before Congress, the State Legislature and the Governor.

Specifically, the federal activity will continue to focus on accelerating the enactment of the increase in the federal Private Activity Bond cap for mortgage revenue bonds and increasing the Low Income Housing Tax Credit cap. In addition, the division will continue to monitor the effect of legislation and the budget on housing and, in particular, on funding for HUD and FHA programs. The State activity will continue tracking and analyzing legislation concerning the preservation of federally subsidized affordable rental housing and proposals to incentivize the creation of new and affordable housing in California. The division will continue to provide Congressional, Senate and Assembly staff with information on CHFA programs and other data and information on affordable housing issues to ensure that the Legislature and Congress are well-informed of the housing needs in California.

Program Performance and Strategy Implementation

Last year, lobbying activities at the federal level were focused on continuing the fight for a Private Activtty Bond cap increase, phased in over five years, and an increase in the' Low Income Housing Tax Credit. To date we have been successful in securing the co-sponsorship of both California Senators and 47 of the 52 House members. Given that these bills have the highest co-sponsorship of any legislation currently before Congress, we are hopeful of securing approval this year.

At the State level, we successfully lobbied for an increase in the amount of debt CHFA may have outstanding by $2.2 billion, bringing the maximum amount of debt the Agency may incur up to $8.95 billion.

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F. FISCAL SERVICES DIVISION
FISCAL YEARS 2000/01 - 2004105
FIVE-YEAR BUSINESS PLAN

Mission

The primary mission of the Fiscal Services Division is to support Agency activities through the receipt and disbursement of financial resources, the safeguarding of Agency assets, the servicing of Agency loans and by recording and reporting on financial matters of the Agency's funds in accordance with professional standards in meeting all federal, state and indenture requirements.

Strategies

The Division will continue to meet the Agency's financial management and reporting needs. Systems and procedures are in place to accommodate the growth in single family and multifamily loan portfolios, the increase in debt issuance and the increase in loan insurance underwriting activity called for in this business plan. The Division continues to provide financial assistance and support to the Agency's lending, insurance and financing activities and is prepared to assume additional loan servicing responsibilities as needed. Emphasis will be placed on integrating automated accounting activities with financial and management reporting systems.

Program Performance and Strategy Implementation

The Division currently accounts for a portfolio of $5.3 billion of loans receivable and $6.2 billion of bonds payable in 202 series under 13 active indentures. In addition, 8,200 loan insurance policies are accounted for with a total loan value of $830 million and there are 5,106 single family first mortgages and 370 multifamily mortgages being serviced. As of March 31,2000, the delinquency ratio for single family mortgages serviced by Agency staff was 4.87%, the lowest ever for loans serviced in-house.

During the past year, the Division coordinated the annual financial audits of the Housing Finance Fund and the Housing Loan Insurance Fund. In both instances, reports containing unqualified opinions were issued by our independent auditors. Reviews of the Agency's administration of federal housing assistance payments and our single family in-house loan servicing operation were also conducted during the year. No significant findings resulted from these reviews. A biennial performance evaluation of the loan insurance programs administered by CaHLIF will be completed and submitted to the Governor and other elected state officials as required by State statute during fiscal year 2000-2001.

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G. FINANCING DIVISION
FISCAL YEARS 2000/01 TO 2004105
FIVE-YEAR BUSINESS PLAN

Mission

The Financing Division's primary mission is to provide borrowed capital to finance CHFA programs. The Financing Division is also charged with managing CHFA's outstanding debt obligations and non-mortgage investments, and making recommendations concerning general financial matters. In carrying out these responsibilities, the Division acts to comply with bond indenture covenants, federal tax law restrictions, and State statutes in addition to satisfying credit rating agency requirements.

Strategies

Over the next five years the Division will need to issue bonds and identify other sources of capital to support $6.8 billion of single family and multifamily loan production. In order to meet the goal of $5 billion of single family first mortgages, the Division will be recommending strategies for the further leveraging of the limited amount of Private Activity Bond allocation. In this regard, the Division will continue to maximize the recycling of previous years' allocations, to invest reserves in Agency loans, and to further take advantage of economic refunding opportunities. The Division also plans to continue to strive to lower the cost of the Agency's debt through the issuance of variable rate bonds and to utilize the swap market to synthetically fix or cap the rates to hedge our interest rate risk. In order to utilize the full range of possible variable rate bond structures, the Division may also recommend greatly-expanded use of the Agency's general obligation to back single family bonds.

We will also continue to partner with other public agencies, pension funds, and Government Sponsored Enterprises (GSE's) such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks who support our financings by acting as investors or by providing services such as liquidity.

In the multifamily area, CHFA expects to commit $1.8 billion of bond-funded multifamily loans over the next five years. To achieve economies of scale and keep the cost of funds low, the Division intends to rely on pooled financings, to pledge the Agency's general obligation, to utilize variable-rate financing techniques and the swap markets, and to take advantage of opportunities to invest the Agency's reserves in loans.

Program Performance and Strategy Implementation

During fiscal year 1999/00 to date CHFA has issued $834 million of bonds and plans to issue another $550 million before the end of the fiscal year. Of the $834 million, $454 million is variable rate, of which $402.5 million is swapped to fixed rates.

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CHFA used Private Activity Bond allocation in our single family program extremely efficiently this fiscal year by financing 50 percent of our loans with taxable bonds and by issuing a significant amount of our tax-exempt bonds with reliance on recycled authority made possible from our receipt of a high volume of prepayments. However, partly because market rates have increased, opportunities for prepayment recycling are already greatly diminished, and a higher percentage of new PAB will be needed for each issue to substitute for the reduced recycling.

This fiscal year our predominant public agency partner has been the California State Teachers Retirement System which teamed with a commercial bank to provide liquidity for $454 million of CHFA variable rate bonds. In addition, Fannie Mae purchased $35 million of our bonds, and the Federal Home Loan Banks purchased $50 million.

FINANCIAL SUMMARY
FISCAL YEARS 2000/01 - 2004/05
FIVE-YEAR BUSINESS PLAN

OVERVIEW

The purpose of the financial summary is threefold: to present the Agency's equity position as of December **31, 1999,** to describe the projected effect on the Agency's equity of the assumptions made in the Agency's five-year Business Plan, and to provide a detailed description of the factors influencing restriction of the Agency's equity.

DISCUSSION OF EQUITY

"Equity" is synonymous with "net assets". It is arrived at by applying the Agency's assets against its liabilities at any given point in time. As of September **30,** 1999, the Agency had total assets of **$7.4** billion (comprised primarily of mortgage loans receivable) and total liabilities against those assets of **$6.7** billion (comprised primarily of bond indebtedness). The residual restricted assets of **$701.2** million (Housing Finance Fund) and **$26** million (Housing Loan Insurance Fund) represent the Agency's equity position at December **31, 1999.**

Although the amount of the Agency's total equity is readily identifiable, its liquidity is not. The majority of the assets underlying the equity are in the form of mortgage loans receivable, and as the following discussion will illustrate, most of the Agency's equity is allocated, or restricted in the form of reserves, for various purposes.

Since the term "reserve" has different meanings in different financial settings, the term may be a misnomer as it relates to the Agency's funds if there is an assumption that the reserves are in excess of the Agency's needs. The Agency's restricted reserves <u>are not surplus moneys</u> as used in the context of State agency fund designations. The Agency's reserves are, instead, designations of restricted funds as required of any private financial institution.

As described in the Agency's **1998/99** Annual Report, in the notes to the audited Financial Statements,

> All of the Agency's equity is either restricted, held in trust or designated to meet operating expenses.
>
> Both Restricted by Indenture and Bond Security Reserve reflect the Agency's restricted equity. Pursuant to state statutes, resolutions and indentures, specified amounts of cash, investments and equity must be restricted and reserved. The equity categorized as Restricted by

Indenture represents the indenture restrictions of specific bonds, whereas the Bond Security Reserve category represents equity that is further restricted to fund deficiencies in other bonds, programs or accounts. The Fund maintained all required balances in the loan and bond reserve accounts as of June **30, 1999** and **1998.**

Generally, there are indenture covenants requiring that equity be retained under the lien of each indenture until certain asset coverage tests, as well as cashflow tests, have been met. Other restricted reserves are pledged to meet the Agency's bond and insurance general obligations, continuing program maintenance and ongoing administrative costs.

ALLOCATION OF CHFA EQUITY

The Agency's equity balance is contained within a series of funds and accounts, including bond funds and other types of restricted funds and accounts. Within these funds and accounts, equity has been classified according to the purpose it is intended to serve. These purposes include providing security for current and future bond issues, providing for emergency needs, leveraging restricted reserves for non-bond housing assistance programs, and providing for future operating expenses and financing costs.

CATEGORIZATION OF EQUITY

The Agency's equity is allocated into five main restricted reserve categories: Restricted by Indenture, Bond Security Reserves, Insurance Security Reserves, Funds Held in Trust, and Operating Requirements. They are described as follows:

Restricted by Indenture

The amount classified as Restricted by Indenture ($458.5 million) includes amounts required to be retained in the various bond indenture funds. This total provides security for the specific bonds'to which they are assigned.

Bond Security Reserves and Insurance Security Reserves

To comply with State law, rating agency requirements, credit enhancement agreements, and investor guarantees, the Agency is also required to maintain Bond Security Reserves and Insurance Security Reserves in addition to the above-described Indenture Restricted Reserves.

As further described in the notes to the financial statements, the Insurance Security Reserve represents a pledge of a portion of the Agency's equity to support the insurance program of CaHLIF.

The amount classified as Bond Security Reserve ($100.6 million), consisting of amounts from the bond indenture funds, the Emergency Reserve Account and the Housing

Assistance Trust, provides general support for all bonds of the Agency, including general obligation bonds.

The Agency has no taxing power, and bonds issued by the Agency are not obligations of the State of California. Some Agency bonds are issued as general obligations of the Agency, however, and are payable out of any assets, revenues, or moneys of the Agency, subject only to agreements with the holders of any other obligations of the Agency. This pledge is in addition to that of the specific revenues and assets pledged under the indenture. The Agency has received a Standard & Poor's rating of AA- on its general obligation pledge and a Moody's Investor Service rating of Aa3.

The Agency has $648 million of bonds outstanding that are backed by CHFA's general obligation. The Agency has also extended its general obligation pledge to $224 million of multifamily loans insured by FHA under its Risk Share Program. Our risk is 50% of this amount, or $112 million. In addition, the Agency pledges its general obligation for another $402.5 million to its swap counterparties for the interest rate swaps that are currently outstanding.

The amount classified as Insurance Security Reserve ($64.5 million) has been established as a liquidity device to support CaHLIF's mortgage insurance programs as required by the rating agencies. The amount of this reserve is divided between the Supplementary Bond Security Account ($29 million) and the Emergency Reserve Account ($36 million). In addition, the Agency's general obligation stands behind CaHLIF's 50% insurance exposure on its $830 million insured portfolio.

While most of the Agency's reserves are contractually restricted as security behind the $6.7 billion in Agency liabilities and the $830 million in single family mortgages insured by CaHLIF, other bond and insurance security reserves serve a "dual purpose." These reserves provide the Agency with the resources to meet its capital adequacy requirements, general obligation pledge risk reserves, and operating funds. At the same time, prudent management of these accounts has allowed the CHFA Board to carefully apply them to necessary uses under the Operating Account, Emergency Reserve Account, and the Housing Assistance Trust.

To maintain the necessary security reserves, it is important that these accounts be invested in uses that will preserve principal and generate revenues to the Agency. This is necessary because fee revenues will decline as the bond issues mature, but our administrative and monitoring responsibilities will continue for the up-to-40-year life of the bonds and loans. It is planned that during these later years scheduled draws from the Emergency Reserve Account, Housing Assistance Trust, Operating Reserves and other accounts will be used to support the ongoing bond and loan administrative costs. Accordingly, when these funds are deposited or "invested" in various Agency programs, they are carefully managed to maintain low levels of risk and ultimate liquidity for long-term bond and loan management purposes.

Funds Held in Trust

Funds Held In Trust ($42.7 million) includes the equity of the Rental Housing Construction Program which is administered by the Agency but is a State general fund program. The equity is therefore not available for allocation to Agency purposes. Amounts in this classification also include certain funds related to the federal Section 8 rent subsidy program. These funds are set aside for specific purposes associated with that program.

Operating Requirements

Within the Operating Account the Agency maintains a $16.5 million operating reserve, equivalent to one year's operating budget, including a $5.6 million revolving fund for bond financing expenses. The revolving fund serves to provide short-term advances to pay the initial costs of bond issuance, pay for interest rate hedges, and pay other costs of developing bond programs. Such allocations of equity ensure the continued administration of the Agency's programs and also serve to meet rating agency liquidity and capital adequacy requirements.

LOSS PROTECTION

Rating Agency Requirements

The credit rating services (Moody's Investors Service and Standard & Poor's) provide certain quantitative guidance regarding the need for reserves to protect against certain quantifiable risks of loss.

For example, both rating agencies require the Agency to establish reserves for each bond issue, intended to protect the bondholders and the Agency in the event that the actual cashflows associated with a bond issue differ from the cashflows projected at the time of issuance of the bonds. In order to determine the size of the reserves to be established for each issue, the rating agencies analyze the performance of the projected cashflows and assets at the time of bond issuance under a "worst case scenario". The Agency is required to set aside and maintain reserves in an amount necessary to cover any projected cashflow shortfalls under these worst case scenarios. Such reserves represent a direct allocation and restriction of the Agency's equity.

In addition, Standard & Poor's provides certain formulas for determining capital adequacy for its "Top Tier" designation and its issuer, or general obligation, credit rating.

The guidelines Standard & Poor's uses to evaluate housing finance agencies include: number of years issuing bonds, administrative capabilities, investment policy, internal controls, loan portfolio quality, and maintenance of "unrestricted fund balances" (per S&P's definition) equal to 4% of non-AAA bonds outstanding, 2% of which must be liquid.

In order to calculate the Agency's "unrestricted equity" at any point in time, S&P analyzes the Agency's finances to determine the amount of "unrestricted equity" remaining after restricting additional equity to offset any potential risks which have not been addressed to S&P's satisfaction.

For example, the Agency's general obligation pledge currently stands behind $648 million of single family and multifamily debt, plus **$112** million for multifamily FHA Risk Share, **$402** to our swap counterparties for our outstanding interest rate swaps, as well as behind CaHLIF's top 50% insurance exposure on its **$830** million portfolio. It is anticipated that, during the term of the Plan, direct utilization of the Agency's general obligation will be greatly expanded, as shown in the table below. In order to maintain S&P's capital adequacy requirement and related Top Tier status, the Agency must reserve equity against these pledges.

Pledges of CHFA General Obligation
(in millions of dollars)

	Current Pledges	Estimated as of June 30,2005
CHFA G.O. Bonds	**$648**[1]	**$5,000**
FHA Risk Share Program	**$112**[2]	**$130**[2]
CaHLIF	**$415**[2]	**$1,100**[2]
Interest Rate Swaps	**$402**	**$4,000**
	$1,577	**$10,230**

[1] includes Agency interest rate cap on $30 million of variable rate bonds
[2] includes only the Agency's 50% exposure

These rating agency calculations are very similar to capital adequacy requirements imposed on financial institutions and are necessary for the financial well-being of CHFA as the State's affordable housing bank. In addition, other benefits of meeting S&P's requirements include: 1) a higher bond rating than a bond structure alone would allow, resulting in a lower cost of funds, 2) reduced interest expense to the home buyer, 3) establishment of a mortgage insurance program (CaHLIF), 4) elimination of special hazard insurance as a requirement for single family bond issuance, and 5) a reduction or suspension of other credit enhancements on Agency bond issues. The costs of not meeting these requirements include: 1) an increase in the Agency's cost of funds, 2) jeopardizing CaHLIF's Aa3/A+ claims paying ability ratings, 3) jeopardizing ratings on the Agency's currently outstanding single family and muitifamily debts, 4) increased cost of credit enhancement and liquidity for variable rate bonds, and 5) less favorable terms for new financial agreements including interest rate swaps.

Financial projections for the five-year period of this business plan indicate that Plan implementation will result in capital adequacy ratios that meet or exceed rating agency requirements in each of the five years. This achievement will continue to support our Top Tier ranking for the plan period.

Loss Protection: Other Prudent Reserves

A portion of the Agency's equity is restricted to protect the Agency's assets from potential losses due to interest rate risk, natural catastrophes such as earthquakes and floods, risk associated with multifamily administration issues, negative arbitrage, and uncollateralizable investment agreements.

Interest Rate Risk

In the case of Single Family Programs, the shortage of private activity bond allocation will require the Agency to continue to rely heavily on the issuance of taxable bonds to support the desired loan volume. The use of variable rate bonds, whether tax-exempt or taxable, constitutes an opportunity to reduce the Agency's cost of funds, thus reducing the amount of subsidy needed to support taxable bonds or, alternatively, expanding the volume of taxable bonds that can be issued. As of May 1,2000 the Agency has $888 million of variable rate bonds outstanding, and another $350 million may be added before the end of the 1999/2000 fiscal year. It is possible that another $1 billion may be issued each year going forward for the life of the Plan.

Given the Agency's variable rate bond strategy, it should set aside reserves to cover the risk of rising rates, the costs of acquiring interest rate hedges, and certain risks related to such hedges. For example, hedges we might enter into to reduce our tax-exempt interest rate risk are likely to leave us exposed to the risk of tax law changes that would reduce or eliminate personal and corporate income taxes. Another risk would be counterparty failure in connection with an interest rate swap or cap. In addition, very high or very low incidences of single family loan prepayments could upset the balance between the notional amount of the swap and the outstanding amount of related variable rate bonds.

Because interest rates could rise, either because the Federal Reserve raises short-term rates or because changes in tax law could reduce the value of the tax exemption, the Agency needs to set aside a substantial reserve against this risk. The Agency may also purchase interest rate caps and will continue to swap some of our exposure to a fixed rate.

Natural Catastrophes

In order to provide more financing for affordable housing in high-cost areas of the state, the Agency petitioned the rating agencies to allow a higher percentage of single family loans to be made to purchasers of existing condominiums. The rating agencies agreed, but only if the Agency would establish a reserve in an amount equal to 1% of the unpaid principal balance of such loans to effectively insure the loan portfolio against losses in the event of an earthquake. The Agency currently has in its portfolio a total of $607 million of loans for condominiums.

A portion of the Agency's multifamily loan portfolio is insured under an $80 million multifamily earthquake and flood insurance policy which has a 5% deductible and does not provide for loss of income. The Agency has restricted equity to supplement the coverage not provided by the policy.

Project Maintenance

Equity is restricted to protect the Agency from possible losses on multifamily project loans. It should be recognized that the Agency could be called upon at any time to meet certain deficits as a result of maintenance and debt service shortfalls on project loans. Given the size of the Agency's $790 million multifamily loan portfolio and the substantial pipeline of new loans to be originated or acquired, a reserve of $3.0 million is a reasonable protection from late payments, emergency maintenance needs or short-term cashflow shortfalls.

Negative Arbitrage

The Agency expects to be unable to invest the proceeds of taxable bonds at rates equal to its cost of funds. Equity has been reserved to protect the Agency against such negative arbitrage and to ensure the Agency's ability to pay debt service on these bonds.

Investment Risks

A portion of the Agency's earlier investment agreements do not contain collateralization requirements. During the term of these agreements, the Agency's principal and interest are potentially at risk. The Agency has allocated equity to provide liquidity to meet debt service obligations in the event one or more of these investment agreement providers experiences financial difficulty.

EQUITY ANALYSIS BY FUND AND ACCOUNT

The Agency's total equity at December 31, 1999 was $701.2 million (Housing Finance Fund) and $26 million (Housing Loan Insurance Fund). All of this equity is restricted per the requirements described previously and as detailed below.

Bond Indenture Equity

As approved by the Board and within rating agency standards, the Agency reinvests and leverages a portion of its restricted equity to support Housing Assistance Trust programs not funded through the use of bond proceeds.

As of December 31, $458.5 million of the Agency's total equity is restricted within the bond indentures. All of the bond indenture equity is subject to the indenture and rating agency requirements described above, and a portion of the bond indenture equity supports the Agency's operating budget.

Rental Housing Construction Program

The Rental Housing Construction Program, administered by the Agency, accounts for $7.5 million of the Agency's equity at December 31. This equity is in the form of second mortgages and, as an administered program, is unavailable for Agency reallocation.

Housing Assistance Trust

As of December 31, HAT accounts for $96.3 million of the Agency's total equity. All of the equity in HAT is required to meet general obligation pledges and capital adequacy requirements. While meeting these financial means requirements, the Agency may also invest these funds in support of Agency programs which are not otherwise funded by bond proceeds.

CHFA invests, through HAT, in a number of special lending programs which are targeted to special affordable housing needs in support of the primary Single Family and Multifamily lending programs and in support of the CaHLIF programs. Prudent management consistent with rating agency standards allow CHFA to invest some of its restricted reserves in Agency programs through the Trust and still meet its capital adequacy and reserve requirements. These special HAT programs are discussed elsewhere herein.

Because some of the new HAT program activities involve recycling of short-term loans, we estimate that approximately $289 million of equity will be needed to support the $295 million of identified HAT programs. In some cases, the liquidity for the actual program activity may come from borrowed funds, especially where there are opportunities to borrow in the tax-exempt market to fund HAT lending programs.

The concept of using HAT as a means for making program-related investments of restricted reserves makes HAT ideal as a revolving loan fund for a variety of purposes and programs. Moneys in HAT will be utilized for short- and intermediate-term loan warehousing purposes in support of the Agency's main line lending programs. Examples of these kinds of investments include: (1) warehousing of single family and multifamily loans that await assignment to bond issues; (2) warehousing of permanent multifamily loans; and (3) warehousing of multifamily loan participations that cannot be financed with federally tax-exempt bonds. In the case of examples (2) and (3), the Agency's strategy would be to invest HAT moneys in these loans with the intention of selling them off or securitizing them in the taxable market to make new moneys available for HAT programs as the need arises.

Supplementary Bond Security Account

The statutorily established Supplementary Bond Security Account ("SBSA") accounts for $48.6 million of the Agency's equity at December 31. This equity is subject to many influencing factors such as rating agency requirements, loss protection against interest rate risks, natural catastrophes, and negative arbitrage.

Based on the bonds outstanding to date and estimates of the bonds to be issued and loans to be originated, the Supplementary Bond Security Account will be fully pledged for the duration of the five-year Business Plan.

Emergency Reserve Account

The Emergency Reserve Account (ERA) accounted for $57.5 million of the Agency's equity at December 31. The equity within the ERA enables the Agency to meet its rating agency requirements for its general obligation pledges and the maintenance of its capital adequacy requirements. It provides the primary source of loss protection for the Agency's assets and has been reinvested in support of the Agency's insurance programs.

All of the ERA equity and the equity of other accounts backs the Agency's general obligation bond and insurance pledges of $1.58 billion. The Agency's general obligation will continue to be pledged to provide security for bonds issued to finance single family and multifamily loans and be pledged to interest rate swap counterparties. Liquidity in the ERA is also used for warehousing of both single family and multifamily loans.

All of the equity in the ERA supports the maintenance of the Agency's Top Tier rating agency status and capital adequacy position. The maintenance of these reserve requirements at the levels prescribed by Standard & Poor's is as critical to the Agency's ability to achieve its mission as are the regulatory capital requirements of any other conventional marketplace lending institution.

The account has multiple obligations which approximate the account balance of $57.5 million as of December **31, 1999.** The account was established by Board resolution at a minimum of **1%** of mortgages outstanding. The account balance of $57.5 million equals **1.08%** of the unpaid principal balance of loans and **92%** of bonds payable.

The following describes how the amounts on deposit in the ERA are provisionally allocated to particular contingencies. These allocations are indicated for administrative purposes only and do not represent limitations on the use of the ERA for each contingency category.

California Housing Loan Insurance Fund

CaHLIF has restricted reserves of **$26** million. The Agency's Five-Year Business Plan has a goal of insuring $1.8 billion in new mortgages. The CHFA Board has currently set aside an existing capital reserve of **$7.5** million and pledged its support from "reserves otherwise available for such purpose" (Resolution **87-29)** for an unspecified level of CaHLIF-insured loan volume. Of the $7.5 million, **$2.85** million has been escrowed to date to meet reinsurer indemnification and escrow requirements. Adoption of previous CaHLIF Business Plans required that specific reserves be increased to a total of $64.5 million. Of the total pledged, **$27** million is charged against the equity in the Supplementary Bond Security Account. The balance, **$37** million, is charged to equity in the Emergency Reserve Account. It should be noted that CHFA's general obligation stands behind all of CaHLIF's at-risk portfolio.

This combination of equity from SBSA and ERA reserves is necessary to meet rating agency requirements and to indemnify CaHLIF's reinsurer (Hannover Ruck) against losses. There is also a potential risk that a catastrophic event could result in a call on CHFA financial resources in excess of the $64.5 million pledge, thereby requiring further Board action to resolve.

General Obligation and Investment Reserves

CHFA has **$648** million in outstanding bonds that are backed, in whole or in part, by CHFA's general obligation (not the State's) in addition to any external credit enhancement (bond insurance or letters of credit). The rating agencies use the shortfall resulting from the worst case cashflows on our general obligation bonds as a charge against equity. CHFA maintains a liquidity reserve for part of this requirement in the ERA. The balance of the reserves is applied from other sources such as HAT loans and various bond issues. The reserve is available in the event that the Agency is called upon to make advances to general obligation bond programs to pay debt service or to reimburse the bond insurer or LOC provider for losses. The reserve is also available for protection against potential losses from interest rate fluctuations and from counterparty failure related to interest rate swaps or other hedge instruments. One use of the Emergency Reserve in this regard is the provision of an interest rate cap to $30 million of CHFA floating-rate single family bonds issued last fiscal year. Under this internal agreement, the Emergency Reserve Account will be drawn on to pay any interest costs in excess of 7 percent. Use of this technique of transferring interest rate risk from our bond programs to the Emergency Reserve Account may be expanded in the future.

CHFA's bond issues create capital in the form of proceeds for the purchase of mortgages. These proceeds are, for the most part, invested with high-quality financial institutions with whom we enter into fixed-rate investment agreements. During the term of these agreements, principal and interest are at risk, especially from certain early investment agreements which do not contain collateralization requirements. A portion of the ERA is allocated to provide liquidity to meet debt service obligations in the event of financial difficufties with an investment agreement until such time as the funds can be withdrawn from the investment accounts. The total amount invested under the terms of early investment agreements that do not contain collateralization requirements was $52 million as of June 30, 1999.

Self-Insured Earthquake Coverage

To provide affordable single family housing in high-cost regions of the State, CHFA petitioned the rating agencies to allow a higher percentage of loans to be made for purchasers of existing condos. The rating agencies agreed, but only if the Agency established a non-bond reserve of 1% of the loan amount for all condo loans made in earthquake zone areas. The Agency has a total of $607 million of loans on condos in its portfolio. In addition, many newly-constructed condominiums are financed by CHFA even though they are unable to obtain earthquake coverage. The Agency also reserves 1%of each resale condo's loan amount in the Supplementary Reserve Account for $2.9 million.

The Agency has also obtained earthquake and flood insurance for its multifamily portfolio with a 5% deductible. If called upon, the deductible of $4 million (calculated on the probable maximum loss of $80 million) is available in this account.

Asset Management Project Administration

Various multifamily properties may have maintenance and debt service shortfalls due to a variety of factors. The Agency may be called upon at any time to meet certain funding needs (i.e., property taxes, utilities, workouts, etc.). A reserve of $3.0 million is a reasonable liquidity amount given the size of the Agency's growing multifamily loan portfolio, now totaling $790 million of unpaid principal balance.

Operating Account

The Operating Account accounts for $22.1 million of the Agency's equlty at December 31. This equlty is restricted for meeting the Agency's capital adequacy and general obligation requirements, as well as funding the Agency's operating budget and financing reserves.

EFFECT OF FIVE-YEAR BUSINESS PLAN ON AGENCY EQUITY

Introduction

Cashflow analyses of the Agency's bond programs are independently prepared by an investment bank for the purpose of determining the financial strength of these programs. While these cashflow analyses are prepared primarily for review by the credit rating agencies, they are also used by the Agency to analyze the current equity position of any program and to forecast future net revenues. Applying the factors influencing restrictions of the Agency's equity, the resulting analysis quantified the amount of restricted equity which could be reinvested in support of new or expanded programs as described in the Business Plan and projected the timing of such reinvestment opportunities.

Implementation of the five-year Business Plan as presented in this summary is dependent upon realization of the underlying assumptions. The plan is intended, however, to remain flexible in the event that actual events differ from these assumptions.

Major **assumptions underlying the Plan include the following:**

1. Origination of $5 billion of new single family mortgages to be financed with a combination of tax-exempt and taxable bonds in approximately equal proportions.

2. Commitments of $1.8 billion of multifamily loans to be financed with tax-exempt or taxable bonds.

3. Insurance of approximately $1.8 billion of mortgages through CaHLIF.

4. Sufficient Private Activity Bond (PAB) allocation. Increasing amounts of PAB will be required as our opportunity declines to recycle prior single family allocation by means of replacement refundings. These opportunities are declining primarily because of the delayed offset of certain prior changes to federal tax law.

5. Continued ability to rely on variable fate financing structures (both swapped and unswapped) to achieve interest rate savings. If bank liquidity for put bonds becomes unavailable, other variable rate structures (auction or indexed bonds) would need to be cost-effective.

Other Assumptions

Several other programmatic and financial assumptions were made to arrive at the projections comprising the Agency's Five-Year Business Plan. The following is a summary of such assumptions:

1. Single family portfolio maintains its current delinquency ratio and REO experience.

2. S&P assigns a capital requirement of **12.5%** to the FHA Risk-Share multifamily loans and **25%** to uninsured multifamily loans.

3. Single family prepayments to be received according to the following table:

MORTGAGE RATES	% OF PSA RATE
3.0% - 6.075%	94% - 100%
7.0% - 7.075%	105% - 126%
0.0% - 0.075%	130% - 160%
9.0% & higher	109% - 207%

4. Average investment rate in the absence of investment agreements to equal 5%.

5. Financial strength of the entire multifamily portfolio to remain at the current level.

6. Interest rates remain sufficiently low during the life of the Plan so that significant economic savings can continue to be generated by means of variable-rate bond refundings.

7. Operating budget is assumed to increase an average of **5%** per year.

0. **No** unexpected insurance losses in the CaHLIF portfolio.

9. No principal losses from investments.

10. No failures of swap counterparties.

11. .No loss in the value of the federal tax exemption.

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RESOLUTION 00-13

WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, the Agency desires to amend Resolution 99-23 adopted on May 26, 1999, which committed the Agency to a business plan for the years 1999/2000 through 2003/2004; and

WHEREAS, the Agency has presented to the Board of Directors a fiscal year 2000/2001 through 2004/2005 annual update of the business plan, in order to adjust to the every changing economic, fiscal and legal environment, which updated business plan is designated to assist the Agency to meet its statutory objectives, to address the housing needs of the people of the state of California and to provide the Agency with the necessary road map to continue its bond, mortgage financing, and mortgage insurance activities well into the future.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The updated business plan, a copy of which is attached hereto and made a part hereof, is hereby fully endorsed and adopted.

2. In implementing the updated business plan, the Agency shall, as appropriate, satisfy all the capital adequacy, reserve, and any other requirements necessary to maintain the Agency's top-tier designation by Standard & Poor's Corporation, to maintain its general obligation credit ratings and the current credit ratings on its debt obligations, to comply with the requirements of the Agency's providers of credit enhancement, liquidity, and interest rate swaps and caps, and to satisfy any other requirements of the Agency's bond and insurance programs.

3. Because the updated business plan is necessarily based on various economic, fiscal and legal assumptions, in order for the Agency to respond to changing circumstances, the Executive Director shall have the authority to adjust the Agency's day-to-

day activities to reflect actual economic, fiscal and legal circumstances in order to attain goals and objectives consistent with the intent of the updated business plan.

I hereby certify that this is a true and correct copy of Resolution 00-13 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 11, 2000, at Burbank, California.

ATTEST: ______________________
secretary

Attachment

State of California

MEMORANDUM

To: California Housing Finance Agency
Board of Directors

Date: May 1, 2000

From: Theresa A. Parker, Executive Director TAP
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Resolution 00-14: 2000/2001 Operating Budget

Having concluded our annual planning cycle, we feel that we have identified in this budget the resources needed to fully implement our aggressive Business Plan activities as well as continue the management of our current portfolio; we have made updates, redirections and numerous changes to achieve the maximum benefit from a minimum of increases.

Last year at this time, the (1999/2000) budget anticipated and included salary increases only for managers and supervisors. However, since the enactment of that budget, the state, through its collective bargaining process, authorized pay increases averaging 9.5% for all rank and file employees. Some additional pay increases were also passed along to all managers, supervisors and other excluded employees. The Agency did not come back to the Board for an augmentation to the budget because we were able to absorb these increases.

The budget for fiscal year 2000/2001, as proposed, is 12.2% higher than that authorized for last fiscal year. Specifically the increases include the following:

Personal Services:

Of the 12.2% overall increase, 11.2% is in the Personal Services area. After redirecting and reallocating positions, we found the need to add ten (10) positions to this year's budget. These include four (4) in Single Family Programs for workload/production purposes; four (4) in Fiscal Services for workload demands; one (1) in the Financing Division due to workload; and one (1) in Tech Support (Multifamily) to support the improved procedures to be undertaken in Architectural Review. These new positions account for 3.0% of the total budget increase.

A salary increase of 4.0% has been authorized for all employees effective September 1, 2000. This, due to collective bargaining, represents 1.3% of the total budget increase. Class upgrades and scheduled merit salary adjustments account for roughly half or 6.4% of the total. Temporary help and overtime projected requirements increase the total by 0.5%.

Operating Expenses and Equipment:

The remaining 1.0% of the Agency's proposed increase is for operating expenses. As our programs have continued to grow, additional space in our Sacramento office has become necessary. The additional space, coupled with scheduled rate adjustments in both Culver City and Sacramento, is responsible for the majority of the total increase in operating.

This budget reflects only the resources that are necessary to fully implement the Agency's programs as identified in the 2000/2001 Business Plan. If, during the course of the upcoming year, legislatively mandated programs or new Agency-initiated programs are added, this could further impact the operating budget. If changes should occur, their impact would be presented to the Board for consideration and approval.

CALIFORNIA HOUSING FINANCE AGENCY
2000/01
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 98/99	Budgeted 99/00	Proposed 00/01
PERSONAL SERVICES			
Authorized Salaries	$8,815	$11,456	$12,405
Estimated Salary Savings		(529)	(567)
Staff Benefits	1,932	1,901	2,958
TOTALS, Personal Services	$10,747	$12,828	$14,796
OPERATING EXPENSES AND EQUIPMENT			
General Expense	386	450	450
Communications	346	345	345
Travel	336	355	365
Training	71	70	76
Facilities Operation	999	1,121	1,314
Consulting & Professional Services	928	1,300	1,265
'Central Admin. Serv.	652	624	616
Data Processing	528	355	355
Equipment	81	116	116
Operating Expenses and Equipment	$4,327	$4,736	$4,902
TOTALS, EXPENDITURES	$15,074	$17,564	$19,698

• Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 1,2000

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CALIFORNIA HOUSING FINANCE AGENCY

CHFA FUND OPERATING BUDGET 2000/01
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 98/99	Budgeted 99/00	Proposed 00/01
PERSONAL SERVICES			
Authorized Salaries	$8,391	$10,858	$11,796
Estimated Salary Savings		(506)	(544)
Staff Benefits	1,841	1,773	2,813
TOTALS, Personal Services	$10,232	$12,124	$14,065
OPERATING EXPENSES AND EQUIPMENT			
General Expense	367	400	400
Communications	328	330	330
Travel	319	340	345
Training	63	60	66
Facilities Operation	954	1,071	1,264
Consulting & Professional Services	519	1,011	911
'Central Admin. Sew.	590	568	569
Data Processing	507	305	305
Equipment	79	100	100
Operating Expenses and Equipment	$3,726	$4,185	$4,290
Distributed Administration	($364)	($367)	($402)
TOTALS, EXPENDITURES	$13,594	$15,942	$17,953

• Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

CALIFORNIA HOUSING FINANCE AGENCY

CaHLIF FUND OPERATING BUDGET 2000/01
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 98/99	Budgeted 99/00	Proposed 00/01
PERSONAL SERVICES			
Authorized Salaries	$424	$598	$609
Estimated Salary Savings		(24)	(24)
Staff Benefits	91	131	146
TOTALS, Personal Services	$515	$705	$731
OPERATING EXPENSES AND EQUIPMENT			
General Expense	19	50	50
Communications	18	15	15
Travel	17	15	20
Training	8	10	10
Facilities Operation	45	50	50
Consulting & Professional Sewices	409	289	354
'Central Admin. Serv.	62	56	47
Data Processing	21	50	50
Equipment	2	16	16
Operating Expenses and Equipment	$601	$551	$612
Distributed Administration	$364	$367	$402
TOTALS, EXPENDITURES	$1,480	$1,623	$1,745

• Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 1,2000

CHFA/CaHLIF BUDGET 2000-01 PROPOSED

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SUMMARY
PERSONNEL YEARS AND SALARIES

DIVISION	PERSONNEL YEARS ACTUAL 98-99	PERSONNEL YEARS AUTHORIZED BUDGET 99-00	PERSONNEL YEARS PROPOSED 00-01	AMOUNT FINAL BUDGET 1999-00	AMOUNT PROPOSED BUDGET 2000-01
EXECUTIVE OFFICE	4.9	6.0	6.0	$492,156	$504,370
ADMINISTRATION	19.3	23.0	23.0	1,230,096	1,283,098
FINANCING	8.0	8.0	9.0	531,036	623,844
FISCAL SERVICES	41.1	45.0	49.0	2,251,152	2,475,747
GENERAL COUNSEL	8.8	9.0	9.0	616,968	658,936
MARKETING	4.2	5.0	5.0	351,588	357,591
PROGRAMS	46.9	65.0	70.0	3,616,392	4,002,436
ASSET MANAGEMEN	23.9	27.0	27.0	1,461,264	1,494,820
CaHLIF	7.3	11.0	11.0	598,488	609,105
Temporary Help	10.5	6.0	7.0	267,000	340,000
Overtime				40,000	55,000
TOTAL SALARIES	174.9	205.0	216.0	$11,456,140	$12,404,947
Less Salary Savings'		(10.2)	(10.7)	(509,246)	(525,198)
NET SALARIES	174.9	194.8	205.3	$10,946,894	$11,879,749

'This figure represents a normal h t e of vacancies and lag time in refilling positions in accordance with State budget practices.

May 1,2000
CHFA/CaHLIF
Agency Code: 2260
Funds: 0501,0916

FY 2000/2001
PERSONNEL YEARS
AND SALARIES
SCHEDULE 7A

ORGANIZATIONAL UNIT Classification	Actual 1998-99	Authorized Budget 99-00	Proposed 00-01	Salary Range		Actual 98-99	Authorized Budget 99-00	Proposed 00-01
California Housing Finance Agen #0501				SALARY RANGE				
Executive Office:								
Exec Director	1.0	1.0	1.0	9,446 -	10,216		122,592	126,678
Chief Dep Director	1.0	1.0	1.0	8,347 -	9,027		108,324	111,935
Director of Legislation	0.0	0.0	1.0	6,213 -	6,719		0	80,885
Director of Legislation-Federa	0.7	1.0	0.0	6,213 -	6,719		74,556	0
Director of Legislation-State	0.9	1.0	0.0	5,750 -	6,405		76,860	0
Staff Services Mgr II (Supvr)	0.0	0.0	1.0	4,772 -	5,757		0	71,387
Admin Asst II	1.3	2.0	2.0	3,764 -	4,576		109,824	113,485
Totals, Executive Office	4.9	6.0	6.0			$393,593	$492,156	$504,370
Administration:								
Director's Office:								
CEA I	1.0	1.0	1.0	5,282 -	6,707		80,484	83,167
Ofc Techn	1.0	1.0	1.0	2,258 -	2,745		32,940	34,038
Administrative Services:							0	
Staff Services Mgr I	0.0	0.0	1.0	4,176 -	5,038		0	62,467
Assoc Personnel Analyst	1.0	1.0	0.0	3,764 -	4,576		54,912	0
Assoc Management Analyst	0.9	1.0	1.0	3,764 -	4,576		47,856	54,039
Staff Services Analyst	2.1	3.0	3.0	3,130 -	3,805		130,392	141,546
Bus Services Offr	0.7	1.0	1.0	3,130 -	3,805		45,660	40,759
Bus Services Assistant	1.0	1.0	0.0	2,610 -	3,173		38,076	0
Mgt Services Techn	0.0	0.0	1.0	2,411 -	2,932		0	36,357
Stock Clerk	0.3	0.0	0.0	2,050 -	2,492		0	0
Ofc Asst	0.0	1.0	1.0	1,951 -	2,370		28,440	29,388
Data Processing:								
DP Mgr III	1.0	1.0	1.0	5,800 -	6,395		76,740	79,298
Systems Software Spec II	0.7	1.0	1.0	4,759 -	5,784		69,408	71,722
Systems Software Spec I	0.3	0.0	0.0	4,333 -	5,268		0	0
Staff Programmer Analyst	1.0	1.0	5.0	4,334 -	5,269		63,228	312,790
(a)Assoc Programmer Analyst	7.4	8.0	4.0	3,952 -	4,805		461,280	238,328
Programmer II	0.0	2.0	1.0	3,451 -	4,195		100,680	52,018
Staff Services Analyst	0.9	0.0	1.0	3,130 -	3,805		0	47,182
Totals, Administration	19.3	23.0	23.0			$996,370	$1,230,096	$1,283,098
Financing:								
Director	1.0	1.0	1.0	7,886 -	8,529		102,348	105,760
*Financing Off	2.0	2.0	4.0	5,232 -	6,324		151,776	294,277
Financing Spec	2.5	3.0	2.0	4,136 -	5,027		180,972	124,670
Financing Assoc	1.2	1.0	1.0	3,764 -	4,576		54,912	56,742
Housing Finance Asst	0.3	0.0	0.0	3,130 -	3,805		0	0
Exec Assistant	1.0	1.0	1.0	2,813 -	3,419		41,028	42,396
Totals, Financing	8.0	8.0	9.0			$507,185	$531,036	$623,844

Fiscal Services: 1005							
Comptroller, CEA II	1.0	1.0	1.0	6,687 -	7,373	80,476	91,425
(a) Mortgage Loan Acctg Admin	3.0	3.0	3.0	4,772 -	5,757	207,252	214,160
Acctg Admin 1 (Supervisor)	2.0	2.0	2.0	4,346 -	5,243	125,832	130,026
Acctg Admin I (Specialist)	1.4	3.0	3.0	4,136 -	5,027	180,972	187,004
(a) Assoc Acctg Analyst	2.6	4.0	4.0	3,952 -	4,805	219,504	227,416
Sr Acctg Off (Supervisor)	1.0	1.0	1.0	3,955 -	4,772	57,264	59,173
Sr Acctg Off (Specialist)	3.0	6.0	6.0	3,764 -	4,576	329,472	340,454
Mortgage Loan Acctg Off	10.0	7.0	7.0	3,287 -	3,995	335,580	346,766
'Accountant Trainee	2.1	0.0	2.0	2,772 -	3,210	0	79,608
(a) Mortgage Loan Accountant	2.2	5.0	5.0	2,456 -	2,985	179,100	185,070
Mgt Services Techn	0.6	0.0	1.0	2,411 -	2,932	0	32,959
Acctg Techn	1.4	1.0	0.0	2,258 -	2,745	32,940	0
*Ofc Techn	1.2	2.0	3.0	2,258 -	2,745	65,880	102,114
Loan Servicing:						0	
Staff Services Mgr II (Supvr)	0.0	1.0	1.0	4,772 -	5,757	69,084	71,387.
Loan Servicing Manager	1.0	0.0	0.0	4,176 -	5,038	0	0
Housing Finance Spec	0.0	1.0	1.0	4,136 -	5,027	60,324	62,335
Housing Finance Assoc	1.0	0.0	1.0	3,764 -	4,576	0	49,538
Housing Finance Asst	1.0	1.0	0.0	3,130 -	3,805	45,660	0
Collections Agent	1.8	2.0	2.0	2,725 -	3,312	79,488	82,138
Housing Finance Trainee	1.0	1.0	1.0	2,610 -	3,173	38,076	39,345
Mgt Services Techn	1.8	2.0	2.0	2,411 -	2,932	70,368	72,714
*Ofc Tech	1.0	2.0	3.0	2,258 -	2,745	65,880	102,114
Ofc Asst	1.0	0.0	0.0	1,951 -	2,370	0	0
Totals, Fiscal Services	41.1	45.0	49.0		$1,757,933	$2,251,152	$2,475,747
Legal:							
Gen Counsel	1.0	1.0	1.0	7,886 -	8,529	102,348	105,760
Staff Counsel III	2.0	2.0	3.0	6,320 -	7,799	187,176	290,123
Staff Counsel	1.8	2.0	1.0	5,484 -	6,763	162,312	83,861
Housing Finance Assoc	0.0	0.0	2.0	3,764 -	4,576	0	102,920
Housing Finance Asst	1.0	1.0	0.0	3,130 -	3,805	45,660	0
Staff Services Analyst	1.0	1.0	0.0	3,130 -	3,805	45,660	0
Exec Secty I	1.0	1.0	1.0	2,585 -	3,142	37,704	38,961
Sr Typist Legal	1.0	1.0	1.0	2,476 -	3,009	36,108	37,312
Totals, Legal	8.8	9.0	9.0		$536,882	$616,968	$658,936
Marketing:							
Director	1.0	1.0	1.0	7,162 -	7,746	92,952	96,050
Special Asst for Marketing	0.2	1.0	1.0	7,003 -	7,722	92,664	95,753
Asst for Marketing	1.0	1.0	1.0	5,652 -	6,113	73,356	70,085
Assoc Govtl Prog Analyst	1.0	1.0	1.0	3,764 -	4,576	54,912	56,742
Exec Secty I	1.0	1.0	1.0	2,585 -	3,142	37,704	38,961
Totals, Marketing	4.2	5.0	5.0		$250,144	$351,588	$357,591
Programs:							
Division Management:							
Director	1.0	1.0	1.0	7,886 -	8,529	102,348	105,760
Deputy Director	0.0	1.0	1.0	7,003 -	7,722	92,664	95,753
Spec Asst to Dir	1.0	1.0	1.0	6,687 -	7,373	88,476	91,425
Ofc Techn	0.2	1.0	0.0	2,258 -	2,745	32,940	0
Mark to Market:						0	
Housing Finance Chief	0.0	1.0	0.0	6,377 -	7,031	84,372	0
HELP:						0	
Housing Finance Off	0.0	1.0	1.0	5,232 -	6,324	75,888	78,418
Housing Finance Spec	0.0	1.0	1.0	4,136 -	5,027	60,324	62,335
Ofc Techn	0.0	1.0	1.0	2,258 -	2,745	32,940	34,038

Small Business Dev:						0	
Housing Finance Off	*0.0*	1.0	1.0	5,232 -	6,324	75,888	78,418
Housing Finance Spec	*0.0*	1.0	1.0	4,136 -	5,027	60,324	62,335
Ofc Techn	*0.0*	1.0	1.0	2,258 -	2,745	32,940	34,038
Tech Support:						0	
Supvng Design Off	*0.0*	1.0	1.0	5,361 -	6,517	78,204	80,811
Sr Housing Const Insp	*0.0*	0.0	1.0	4,887 -	5,937	0	73,619
'Housing Const Insp	*0.0*	1.0	2.0	4,661 -	5,664	67,968	121,371
Sr Design Off	*0.0*	1.0	1.0	4,654 -	5,653	67,836	70,097
Assoc Design Off	*0.0*	1.0	1.0	4,244 -	5,158	50,928	58,032
Ofc Techn	*0.0*	1.0	1.0	2,258 -	2,745	32,940	34,038
Single Family Programs:						0	
Housing Finance Chief	1.0	1.0	1.0	6,377 -	7,031	84,372	87,184
Housing Finance Off	3.0	3.0	3.0	5,232 -	6,324	227,664	235,253
Housing Finance Spec	3.8	3.0	4.0	4,136 -	5,027	180,972	249,339
Housing Finance Assoc	5.3	6.0	5.0	3,764 -	4,576	329,472	283,712
Housing Finance Asst	4.6	7.0	10.0	3,130 -	3,805	319,620	471,820
'Housing Finance Trainee	3.4	6.0	7.0	2,610 -	3,173	228,456	275,416
Mgt Services Techn	1.0	0.0	0.0	2,411 -	2,932	0	0
Support Staff - Sacramento:						0	
Ofc Techn	0.0	0.0	1.0	2,258 -	2,745	0	34,038
Ofc Asst	1.8	3.0	2.0	1,951 -	2,370	85,320	58,776
Contract Admin Prog (CAP):						0	
Housing Finance off	*0.0*	0.0	1.0	5,232 -	6,324	0	65,447
Housing Finance Spec	*0.0*	1.0	0.0	4,136 -	5,027	60,324	0
Housing Finance Assoc	*0.0*	1.0	1.0	3,764 -	4,576	54,912	56,742
Housing Finance Trainee	*0.0*	2.0	2.0	2,610 -	3,173	62,640	71,374
Ofc Asst	*0.0*	1.0	1.0	1,951 -	2,370	28,440	29,388
Multiiamily Programs:						0	
Housing Finance Chief	1.0	1.0	1.0	6,377 -	7,031	84,372	87,184
Supvng Design off	1.0	0.0	0.0	5,361 -	6,517	0	0
Housing Finance Officer	5.0	5.0	5.0	5,232 -	6,324	379,440	392,088
Housing Const Insp	1.0	0.0	0.0	4,661 -	5,664	0	0
Sr Design Off	1.0	0.0	0.0	4,564 -	5,653	0	0
Housing Finance Spec	3.6	4.0	4.0	4,136 -	5,027	241,296	249,339
Assoc Design Off	0.3	0.0	0.0	4,244 -	5,158	0	0
Housing Finance Assoc	1.1	1.0	2.0	3,764 -	4,576	54,912	113,485
Housing Finance Asst	2.0	2.0	2.0	3,130 -	3,805	91,320	94,364
Mgt Services Techn	0.0	0.0	1.0	2,411 -	2,932	0	32,961
Small Business Dev:						0	
Housing Finance Off	1.0	*0.0*	0.0	5,232 -	6,324	0	*0*
Housing Finance Spec	1.0	*0.0*	0.0	4,136 -	5,027	0	*0*
Ofc Techn	1.0	*0.0*	0.0	2,258 -	2,745	0	*0*
Support Staff:						0	
Ofc Techn	1.8	2.0	1.0	2,258 -	2,745	65,880	34,038
Totals, Programs	46.9	65.0	70.0		$2,520,524	$3,616,392	$4,002,436

Asset Management:							
Housing Finance Chief 1007	1.0	1.0	1.0	6,377 - 7,031		84,372	87,184
Admin Asst I	1.0	1.0	1.0	3,274 - 3,981		47,772	49,364
Asset Management - North:						0	
Housing Finance Off	1.0	1.0	1.0	5,232 - 6,324		75,888	78,418
Housing Maint Insp	1.9	3.0	3.0	4,245 - 5,157		185,652	191,840
Housing Finance Spec	2.7	4.0	3.0	4,136 - 5,027		241,296	187,004
Housing Finance Assoc	1.6	1.0	1.0	3,764 - 4,576		54,912	56,742
Assoc Gov Prog Analyst	0.3	0.0	0.0	3,764 - 4,576		0	0
Housing Finance Asst	4.0	4.0	4.0	3,130 - 3,805		182,640	188,728
Mgt Services Techn	1.0	1.0	1.0	2,411 - 2,932		35,184	36,357
Support Staff - North:						0	
Ofc Techn	1.0	1.0	1.0	2,258 - 2,745		32,940	34,038
Asset Management - South:						0	
Housing Finance Off	1.0	1.0	1.0	5,232 - 6,324		75,888	78,418
Housing Maint Insp	2.0	2.0	2.0	4,245 - 5,157		123,768	127,894
Housing Finance Spec	1.8	3.0	3.0	4,136 - 5,027		180,972	187,004
Housing Finance Asst	1.8	1.0	2.0	3,130 - 3,805		45,660	94,364
Support Staff - South						0	
Ofc Techn	1.8	2.0	2.0	2,258 - 2,745		65,880	68,076
Ofc Asst	0.0	1.0	1.0	1,951 - 2,370		28,440	29,388
Totals, Asset Mngmnt	23.9	27.0	27.0		$1,146,173	$1,461,264	$1,494,820
Temporary Help	10.5	6.0	7.0		$235,041	267,000	340,000
Overtime					$27,492	40,000	55,000
TOTALS, CHFA	167.6	194.0	205.0		$8,371,337	$10,857,652	$11,795,842
Ca Housing Loan Insurance Func #0916							
Director's Office:							
Director	1.0	1.0	1.0	8,057 - 8,713		104,556	108,041
Delinquency & Claims						0	
(b) Mortgage Insurance Off	1.0	1.0	1.0	4,983 - 5,493		65,916	68,113
(b) Mortgage Insurance Rep I	1.0	1.0	1.0	3,130 - 3,805		45,660	47,182
Marketing						0	
(b) Mortgage Ins. Marketing Rep	0.3	1.0	0.0	3,077 - 3,394		40,728	0
Mortgage Insurance Spec	0.0	1.0	1.0	4,136 - 5,027		49,632	51,286
Mortgage Insurance Rep II	0.0	0.0	1.0	3,764 - 4,576		0	56,742
Risk Management:						0	
(b) Mortgage Insurance Off	1.0	1.0	1.0	4,983 - 5,493		65,916	68,113
Mortgage Insurance Spec	1.0	1.0	1.0	4,136 - 5,027		60,324	62,335
Mortgage insurance Rep II	1.0	1.0	1.0	3,764 - 4,576		54,912	56,742
Mortgage insurance Rep I	0.0	1.0	0.0	3,130 - 3,805		45,660	0
Mgt Sewices Techn	1.0	1.0	1.0	2,411 - 2,932		35,184	36,357
Ofc Asst	0.0	0.0	1.0	1,951 - 2,370		0	24,192
Temporary Help	0.0	1.0	1.0		$16,190	30,000	30,000
TOTALS, CaHLIF	7.3	11.0	11.0		$442,855	$598,408	$609,105
TOTALS, AUTHORIZED POSITIONS							
CHFA AND CaHLIF	174.9	205.0	216.0		$8,814,192	$11,456,140	$12,404,947
Regular/Ongoing Positions	164.4	198.0	208.0		$8,535,469	$11,119,140	$11,979,947
Temporary Help	10.5	7.0	8.0		$251,231	$297,000	$370,000
Overtime					$27,492	$40,000	$55,000

(a) Positions subject to cost recovery from CaHLIF
(b) Positions entitled to additional compensation package
(*) New positions as of FY 00/01

CALIFORNIA HOUSING FINANCE AGENCY
ACTUALANDPROJECTEDREVENUESANDEXPENSES

OPERATING ACCOUNT
(In millions)

	1998/99 (Actual)	1999/2000 (Budgeted)	2000/01 (Projected)
Beginning Balance	$15.2	$16.4	$18.0
HOUSING REVENUES			
Administrative Fees:			
Single Family	10.1	9.0	8.5
HUD/Multifamily	1.0	1.1	1.1
SMIF Int. on Impounds	0.8	0.9	1.0
Commitment Fees/Misc. Inc.	0.9	0.5	0.7
SMIF Interest on Balance	1.1	2.0	2.0
Net Servicing Fee income	1.0	1.5	2.0
Operating Transfers	0.0	2.6	2.6
Total, Housing	$14.9	$17.6	$17.9
CaHLIF REVENUES			
Investments and Premiums	1.5	1.6	1.7
HOUSING AND CaHLIF TOTAL OPERATING REVENUES	$16.4	$19.2	$19.6
EXPENSES			
Housing - Operating Budget	13.6	15.9	18.0
CaHLIF - Operating Budget	1.5	1.6	1.7
HOUSING AND CaHLIF FUNDS TOTAL OPERATING EXPENSES	$15.1	$17.5	$19.7
Non-Operating Expenses	0.1	0.1	0.1
Ending Balance	$16.4	$18.0	$17.8

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RESOLUTION 00-14

CHFA OPERATING BUDGET

FISCAL YEAR 2000/2001

WHEREAS, the Board of Directors of the California Housing Finance Agency has reviewed its proposed operating budget for the 2000/2001 fiscal year;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The operating budget attached hereto is hereby approved for operations of the California Housing Finance Agency Fund and California Housing Loan Insurance Fund for fiscal year 2000/2001.

I hereby certify that this is a true and correct copy of Resolution 00-14 adopted at a duly constituted meeting of the Board of the Agency held on May 11, 2000, at Burbank, California.

ATTEST:____________________
Secretary

Attachment

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