CHFA BOARD OF DIRECTORS

Thursday, July 13, 2000

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

9:30 a.m.

NUMBER	DEVELOPMENT	LOCALITY	UNITS	
00-022-s	Park Pacific Apartments	Fountain Valley/ Orange	172	
Resolution 00-19				908
99-016-N	Ocean View Apartments	Pacifica/ San Mateo	100	
Resolution 00-20				928
99-034-N	8th & Natoma Apartments	San Francisco/ San Francisco	48	
Resolution 00-21				946

5. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the purchase of multifamily loans from Fannie Mae and approval of the form of a pass-through indenture for the financing of such purchase.
(Linn Warren/Ken Carlson)
Resolution 00-22 962

6. Discussion, recommendation and possible action relative (1) to the adoption of a resolution affecting Section 6 of Resolution 00-12 pertaining to the establishment of a subcommittee of the Board of Directors; and (2) consideration of alternative means for the Board of Directors to increase its understanding of the financial risks being taken by the Agency through its issuance of variable rate debt. (Ken Carlson)
Resolution 00-23 1034

7. Other Board matters ....

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

NOTES

HOTEL PARKING: Go to the hotel front desk for parking pass and they will direct you to the parking lot. When the parking lot is full (first come basis), you will be directed to the daily/hourly airport parking lot. Unfortunately, this lot does not validate.

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be August 10, 2000, at the Clarion Hotel, San Francisco Airport, Millbrae, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

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

Thursday, May 11, 2000
9:30 a.m. to 12:30 p.m.

Minutes approved by the Board of Directors at its meeting held: July 13, 2000.

Attest:

Reported and Transcribed by: Ramona Cota

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APPEARANCES

Directors Present:

CLARK WALLACE, Chairman

JULIE BORNSTEIN

EDWARD M. CZUKER

ANGELA L. EASTON

CARRIE A. HAWKINS

ROBERT N. KLEIN II

ANGELO R. MOZILO

STEVEN A. NISSEN

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

RICHARD A. LaVERGNE, Chief Deputy Director

JACKIE RILEY, Director of Administration

G. RICHARD SCHERMERHORN, Director of Programs

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

LINN G. WARREN, Chief, Multifamily Lending

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

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

NONE

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P R O C E E D I N G S

THURSDAY, MAY 11, 2000 BURBANK, CALIFORNIA 9:35 A.M.

CHAIRMAN WALLACE: We'll call the meeting to order, if you please. Secretary, call the roll.

ROLL CALL

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

MS. PETERSON: Here.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Here.

MS. OJIMA: Ms. Contreras-Sweet?

(No response).

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Easton?

MS. EASTON: Here.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

(No response).

MS. OJIMA: Mr. Klein?

MR. KLEIN: Here.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Here.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. OJIMA: Mr. Gage?

(No response).

MS. OJIMA: Mr. Nissen?

(No response).

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN WALLACE: Good, we have a quorum, we're official.

APPROVAL OF THE MINUTES OF THE MARCH 9, 2000 MEETING

CHAIRMAN WALLACE: Item 2 on the agenda is the approval of the minutes of the March 9, 2000 Board of Directors meeting.

MS. HAWKINS: I move that we approve the minutes.

MR. MOZILO: I second.

CHAIRMAN WALLACE: Move by Hawkins, second by Mozilo. I have just a -- In order to prove I skimmed the minutes. On page 743 I had mentioned on line 16, Sonni McPeak. And just to get the spelling correct, it's S-O-N-N-I and McPeak is M-C capital P-E-A-K. And that occurred again on page 746 as it relates to the last name, McPeak.

(Mr. Edward Czuker entered the meeting room.)

MS. OJIMA: P-E-A-K?

CHAIRMAN WALLACE: P-E-A-X. Sorry, I should have taken care of that at the time. Good morning, Ed.

MR. CZUKER: Good morning.

CHAIRMAN WALLACE: *Any* further corrections, additions, deletions, questions on the minutes? Hearing none, we have a motion, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: The minutes have been approved.

CHAIRMAN WALLACE: The minutes have been approved.

CHAI [illegible] DI [illegible] COMMENTS

So we will move on to Item 3, Chairman and

Executive Director comments. I was going to introduce our new Board Member, Steve Nissen, but I'll wait until -- I don't see him there. Am I right?

MS. BORNSTEIN: You're right.

CHAIRMAN WALLACE: Okay. So we'll hold off on that. We know he's here somewhere. Beyond that, Terri, you had an update item or two.

MS. PARKER: Just a couple things, Mr. Chairman. I asked JoJo to pass out for all of you a copy of the most recent letter that the Governor has sent to the President in support of legislation on the bond cap and tax credits. Since our March meeting I have been back in Washington twice. Jeanne and I were both back and did sort of a tag team lobbying effort to revisit the key members of the congressional delegation to reinforce the importance of getting the bond cap and tax credit legislation done this year. And Julie and I were back with Pat, using the opportunity to sort of introduce Governor Gray Davis' housing team to the congressional delegation, and again stressing the importance of bond cap and tax credit.

From what we have heard as late as this last weekend at the NCSHA meeting in Pittsburgh, which were the primary sponsors of the tax credit and bond cap increased Legislation, there are possibly three vehicles that might be successful sourcesfor these measures to be adopted and signed by the President. One is the minimum wage bill that is in the House that the Senate also has to deal with.

The second is a community renewal piece of legislation that the President is looking at putting his new markets proposal. The President's new market proposal includes the tax increase, and what we have understood is that the White House would not be opposed if the bond cap increases were also a part of that. The third potential legislation could be just a general tax bill because the Senate has in their process this year identified that there could be tax bills negotiated.

We have essentially stressed we don't care what bill it is as long as it is a bill. So we are continuing to monitor that. The Governor's office in Washington has been very involved; the Treasurer's office has been very involved. So we are hoping, perhaps by our September meeting, to come back and report some success in this particular area.

There's a couple of housekeeping things I wanted to talk about, a number of follow-up issues that the Board had asked in our last Board Meeting. In the Board Minutes there were a couple of questions to the staff, one on land banking and another issue, and I was going to let Dave speak to those. He has something written so if there's still some questions we can pass something out. But I think we have a good agenda today. We are very interested in presenting the Business Plan to you, and I'll have some more comments about that. Dave, do you want to speak to the two issues that staff were asked? I think maybe we can just cover those quickly now --

CHAIRMAN WALLACE: Fine.

MS. PARKER: -- then move into the agenda.

MR. BEAVER: Sure. Each of you should have a copy of a one page brief memo that I gave to Terri that addresses the two questions. The first one was whether CHFA has authority to do land banking. Briefly, our enabling statutes in that area are a little fuzzy but we feel that it's reasonable to conclude that we would have authority to do land banking where it would be, say, a step in a transaction that the ultimate purpose and intention of which would be to finance affordable housing on that land. But it's not as clear as we would like and if we were going to move into that area on more than a spot basis, on sort of a programmatic basis, my recommendation would be that we get a little clarifying legislation to do so.

The other issue is what source of funds could be used for that. Stan Dirks and I have had conversations at length about that. The law with respect to our bonding authority is even fuzzier and it is not at all clear that we could use bond proceeds to do that. For that reason--I don't mean to speak for you, Stan, but correct me if I'm wrong--for that reason, because of the high standard that bond counsel would have to, basically, be able to opine to, that authority would be upheld if challenged in court. He would be uncomfortable giving a bond opinion that we could use bond proceeds for that purpose.

So again, if we want to get into it in a programmatic way and want to use bonds to do so we would need some legislation on that question as well. That's basically, I think, the situation with land banking.

The other issue that came up was whether we could do something to help small business developers obtain liability insurance to cover their construction activities. We're pretty limited in what we can do there. We can't really -- We don't have authority to provide liability insurance, per se. If the problem is that insurance is available but it's not affordable, it's at a prohibitive cost, we probably would have authority to subsidize that if it was, again, part of a transaction where we ultimately believed we intended to provide the financing for housing development. Other than that I'm not sure what we could do to address that problem.

CHAIRMAN WALLACE: Terri, let's make sure Pat gets a copy of this report since she's not here today and she raised that last issue.

MS. PARKER: We will do that. That concludes my remarks on this document.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Mr. Chairman, I appreciate the report. As to the issue of the bond authority is the question a state law matter or a federal tax matter? Specifically, if a city were to designate a site for affordable housing and CHFA were to adopt a resolution of its intent to work with the city on financing affordable housing on this site would we have a federal or a state statutory issue with acquiring that with tax exempt bonds, or in the alternative, taxable bonds?

MS. PARKER: Stan?

MR. DIRKS (FROM THE AUDIENCE): Do you want me to answer that?

CHAIRMAN WALLACE: Mr. Dirks.

MR. SCHERMERHORN: You can also do the project.

MR. DIRKS: Dick has offered to let me do the project presentation too. I'm Stan Dirks with Orrick Herrington. The issue with respect to bonding authority is principally a state law matter. The Agency's primary authorization to issue bonds has language in it that says that you may issue bonds in the amounts that you deem necessary to finance housing developments and residential structures. Bare land is neither until it gets involved directly in the development process so it's an uncertainty created by the state statutory language that we're referring to here.

MR. KLEIN: In that context, there is an index file on the history and I'd be happy to work with Agency counsel to look at that index file. Because there was quite a bit of discussion about land banking at the time the statutes were developed. It was the intention in those discussions that land could be acquired well before any specific project was actually identified for development. Perhaps we could provide some background that would create some comfort. I'm not certain that records of those specific discussions were preserved but at least we could take a look at them.

CHAIRMAN WALLACE: Are you going to dig that out, since you were there?

MR. KLEIN: Yes. We have a computerized file, the Agency counsel has too, and perhaps one of my staff members can work with Agency counsel to try and identify that information.

CHAIRMAN WALLACE: Okay, fine. Anything further on either of these two matters? Ed.

MR. CZUKER: Isn't there an issue relative to timing also? That if the land is being banked for a specific finite period, which may be, I think, statutorily one to two years, in the process of finishing its governmental approvals with the intent of producing affordable housing as its end use, with obviously some comfort or acknowledgement from the municipality to that end, that it creates a window to use tax-exempt bond financing.

MR. DIRKS (FROM THE AUDIENCE): It would be possible, probably --

CHAIRMAN WALLACE: Stan, come on. Come on back up because you're being recorded for posterity.

MR. DIRKS: It would be possible to structure a program that permitted this financing to go forward on a tax-exempt basis. That would depend on who owns the property and how its handled and what the agreements are relating to it. But suffice it to say it would be possible.

CHAIRMAN WALLACE: Okay, Ed?

MR. CZUKER: Thank you.

CHAIRMAN WALLACE: Thank you. Okay, I sense we have exhausted that for the moment. Therefore, let's move on back to the projects, Item 4. The first of which, Dick, you'll make our presentation.

MR. SCHERMERHORN: Yes, Mr. Chairman, Members of the Board. We have two at-risk project requests on the table this morning. The first is for Lassen Apartments, which is an 81 unit senior acquisition rehab in San Francisco, in what is known as the Tenderloin area.

(Mr. Steven Nissen entered the meeting room.)

This is currently a -- You want me to take a break here?

CHAIRMAN WALLACE: Sure.

MR. SCHERMERHORN: Really put Steve on the spot.

CHAIRMAN WALLACE: Yes.

MR. NISSEN: Morning.

CHAIRMAN WALLACE: Steve, you have been looking all over for us, we have been looking all over for you, and the twain has met. I'd like to introduce to the Board and the audience, Steve Nissen. Am I right, Nissen?

MR. NISSEN: Correct.

CHAIRMAN WALLACE: We were quoting you as Nissen is missin' here a few minutes ago.

MR. NISSEN: If that helps you pronounce the name correctly --

CHAIRMAN WALLACE: It did. Okay. But reading from the Governor's office press release, Steve, you are currently the Acting Director of OPR, the Office of Planning and Research. You have got an extensive background in the law, including Executive Director of the California State Bar. You were Executive Director of Public Counsel for the largest pro bono law firm in the nation from '84 to '97 and previously you worked for Manatt prior to '84.

MR. NISSEN: Right.

CHAIRMAN WALLACE: Right. And interesting, you got your baptism in politics because you got your Bachelor's degree from Stanford and your Doctor of Jurisprudence from Cal. So you learned at an early stage how to talk out of both sides of that. (Laughter). In any case, Steve, we're delighted to have you here and we welcome your active participation on a Board that I think you'll find does a lot of public good.

MR. NISSEN: Thank you very much.

CHAIRMAN WALLACE: We're happy to have you make any editorial comments, brief editorial comments at this time.

MR. NISSEN: Well, I apologize for being late. I did take an interesting tour of both the convention center and the hotel to find you and several people have different opinions about where the Sunset Room is. I'm very happy to join this Board. I've actually had a long history in my prior career in doing affordable housing work so it just is fortuitous that the OPR position allows me to sit on this Board. So I look forward to working with you.

CHAIRMAN WALLACE: Thank you.

MS. PARKER: Mr. Chairman, if I just could make one other editorial comment in your introduction of Steve. Steve is continuing to serve as the Senior Special Assistant to the Governor on innovative government and has been very involved in the last year in that activity, and I think in that sense will be an interesting member to this Board, particularly as government looks at trying to join the private sector in e-commerce and technology. So I wanted to point out Steve's other hat that he's wearing and I think that perspective will be among US colleagues and across the staff very helpful.

CHAIRMAN WALLACE: Thank you, Terri. Anyone else? Okay, Dick, we'll lateral it back to you. Steve, we're on Item 4. The first development project has just commenced to being presented.

RESOLUTION 00-09

MR. SCHERMERHORN: Lassen Apartments is currently a HUD-insured 100 percent Section 8 project, but the Section 8 project-based contract expires in 2003. One of the reasons why the project has come to us for, essentially, refinancing at this point. We are proposing a CHFA first mortgage of $4,460,000, a tax exempt rate of 6.2 percent, 30 year fixed, fully amortized. The locality has a CDBG loan in the amount of $693,000 on this property which they propose to roll over on it in this particular transaction. The transaction is also contemplating tax credits. With more on the project, our colleague, Linn Warren.

MR. WARREN: Thank you, Dick. Mr. Chairman, as Dick indicated, Lassen is located in the Tenderloin District in downtown San Francisco. It is 81 units, which is comprised of 33 studios and 48 one-bedrooms. The units are fairly small, which is typical of buildings of this size and age. For example, the studios are 370 square feet and the one-bedrooms are 517 square feet.

(Video presentation of project begins.)

The project was constructed in 1915, which about the time when most of the building activity in this part of the Tenderloin was done. There was a significant rehabilitation in 1982 and at that point in time the project was converted from a transient hotel, a residence hotel, into a senior project. Here is a good view of the front of the project on Ellis Street. To the left here are community rooms, of which I'll show you some interior shots in a moment. To the right is the office for the building. As you can tell from the neighborhood these are typical small hotel, transient-type hotels that are indicative of the Tenderloin.

The rehabilitation for the project will focus mainly on the units. Because they are fairly small, both the one-bedrooms and the studios, these cabinet and appliance structures are all essentially one unit and it's impossible to replace just one piece of it. So what the sponsor is proposing to do is basically to replace all of these component parts with a single component throughout the units. The flooring also needs work as well as some of the windows.

There is some lead paint on the window sills and staff is basically recommending encapsulation of that versus removal. That is the only, perhaps, rehabilitation that is going to cause any significant relocation within the project but that's fairly minimal.

As I indicated, the property was rehabbed in 1982. The main component of the rehab was a seismic retrofit and that was pursuant to the City of San Francisco standards back then. This has passed our seismic review process. Fortunately, with the '82 retro work the electrical and mechanical systems are acceptable and maintenance of that will be sufficient through capital reserves over time.

You can see some of the other retro work that was done. This drop ceiling was installed. Obviously, all the conduits and electrical are buried above. And this is in the basement area where all of this extra work was putting in piping and electrical conduits and such. In the basement of the property is a very large set of storage rooms. It's a great deal of area. Unfortunately, because it is below the surface street it is not usable. It is not ventilated so it is really going to act as storage on a long-term basis.

This is a view from the top of the building looking down Ellis Street toward Market. For those of you that may be familiar with the Tenderloin there really are two components of this market and that's the Outer Tenderloin and the Inner Tenderloin. At the outer edges there is a lot of development going on. So, for example, if you look down Ellis Street--this is the Hilton right here, actually, it's the Hotel Nikko--this all is being rehabilitated with new residential and commercial. You can see that the development is beginning to work its way up the Tenderloin into the center area.

Now, if you look in the opposite direction on Ellis, this is more typical of what the Tenderloin has been known €or over a long period of time. Smaller transient hotels, 50 units to 100 units, built in 1910 to 1920. Many of them are being rehabbed. This large one across the street right now is doing that. So what is happening in the Tenderloin with the rent pressures is these smaller buildings are being selectively purchased and rehabilitated for specific uses.

For example, the Board last year saw a project we brought to you of Special Needs from TNDC, which is the Tenderloin Development Corporation. They have bought several buildings within the center core of the Tenderloin and rehabbed them for homeless and for special needs populations. That trend is continuing. At the outer edge of the Tenderloin, which is up in here, which is Van Ness, again, the same retail and commercial pressures are working their way back down into the.district. So what all this means is over a longer period of time this area of the city, which has traditionally had high crime and problems, is stabilizing and becoming a better market.

This is the community room off the lobby, a general meeting place for the tenants. This is a meeting room right now, which will be turned into a computer room. There will be four or five computers. This will take place over the first couple of years of development. The center courtyard.

One rehab problem that we have but it doesn't show very well is this brickwork in here, the mortar between the bricks is disintegrating to a small degree. These areas will have to be scaffolded and the grout or mortar will be taken out and repatched with new work. That in itself is not very expensive, the expensive part is putting up the scaffolding. The problem is water gets in here between the bricks and deteriorates the brickwork over a period of time. So that is something that we're going to ask that the sponsor do.

a.

There is one laundry room in the project, in the basement. They are going to add a washer and dryer. It is not optimal for a project of this size but the tenants who have been long-term tenants have managed to adapt to the limited capacity.

To give you a sense of the rents and the market. This is somewhat misleading. You can see here that we have market rents that are actually fairly close according to our comp studies to the 60 percent rents. In reality what's going on in this part of the city is there are no vacancies. There simply aren't any. The waiting list for Lassen Apartments has 80 on the waiting list and that has been pared down from 300. This particular project, many of the tenants moved in in 1982 when there was a conversion and there really are no turnovers to nursing homes. The only vacancies that occur in Lassen is when a resident dies. That's when new spaces open up.

So even though the rent differentials are really a function of inferior rents being compared to Lassen, in this part of the city there's simply--in all of the city for that matter--there really is no vacancy so we know there is adequate demand for the units on a long term basis. So with that I turn it back.

(Video presentation of project ends.)

MR. SCHERMERHORN: Okay. I would like to make note of one typo in this credit presentation. On page 809 section D, Relocation. That second line should be *performed,* not *preformed,* in case that misled you any.

The occupancy restrictions on the project would be 20 percent at 50 percent, 100 percent of them at 60 percent. The Agency will require the sponsor to seek and accept Section 8 annual renewal contracts as long as HUD offers them for the term of our mortgage. The environmental review, some of which Linn has touched on. In addition to the encapsulation matter there was an underground storage tank that was located in the basement. Although it has been filled with sand we want to make sure that it gets sealed.

That will be a requirement in there.

On the seismic issue you may be seeing for the first time this reference to a FEMA 178 Checklist. What has happened -- As you know the Agency has a seismic evaluation process that Dames & Moore under contract to us, provides on every project and it's a Level I, 11, III. Level I basically identifies, is there a seismic activity fault somewhere in the proximity of the project.

Level 11, if there is, a fundamental review is done of the project to ascertain -- an evaluation is done on their computer modeling to determine what the damage potential is to the project. And as long as the evaluation comes back within the established parameters we have for new construction and acquisition rehab we don't take it any further.

If it doesn't meet that test then we have a Level III done, which is a very detailed analysis of the structural components of the project to produce recommendations as to what might be done and what the cost effectiveness of that would be to bring the project within acceptable ratio. Well, that's fine.

When we ran into these two projects, they're the first ones that we have run into with this kind of masonry construction and aged product in the Tenderloin in San Francisco where there is a higher potential of physical damage on the project than what we would normally consider. And we would normally have bumped it, except in the intervening period we have discovered that FEMA, the Federal Emergency Management Agency, has come up with an analysis that is now being used by some of the seismic evaluators that separates out the physical issue from health and safety. Their evaluation is a health and safety evaluation. What are the critical components that would affect the health and safety of the tenants in the project.

We had the FEMA test run on this project and it passed, no problem. We looked at the physical aspect of it. It's still a higher ratio than what we would normally accept, however, the cost to mitigate that is so excessive as to not make the project feasible if we were to pursue that. So we're saying, all right, basically we will set up a higher level of reserves for repair work if that becomes necessary downstream on the project since the project has a very satisfactory health and safety result from the FEMA test.

One thing we learned out of this is, San Francisco, apparently, in their 1982 revised seismic requirements in the city, have probably the best seismic, most comprehensive seismic requirements of any city in the country these days. And that's from the '82 evaluation that is done. So if that clears a FEMA 178 test on the health and safety then there has been substantive retrofitting that has taken place in the project to make it a very stable one.

And you may see this now in some of our future projects. If the project is located in an area of high seismic activity and it triggers a problem in our basic seismic evaluation we will go to the FEMA test to ascertain and get a separate evaluation between health and safety and just the physical damage component of the project. So that's why you see this in here. We are very satisfied. The project is very strong on the FEMA test. Under an earthquake scenario it would be subject to a higher 'level of potential physical damage, particularly to the exterior of the building than what we would normally consider. But given the circumstances of what we're dealing with here we consider it an acceptable risk and we're having the project budget to some extent for that. That's the environmental issue.

The developer in this case -- The managing general partner for a to-be-formed limited partnership is going to be Asian, Inc. They are a long time established nonprofit in San Francisco, at least 20 years that I'm aware of. A.F. Evans Company will be involved as the administrative general partner and also will be the property manager on this project. Entities that we have long and positive working relationships with; they have a number of projects in our portfolio currently. With that we're recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: Questions? Bob.

MR. KLEIN: On our Agency seismic study are we using a 50-year standard, a 100-year standard, and is our standard for acceptable risk without earthquake insurance a 15 or a 20? Where are we?

MR. SCHERMERHORN: All projects are required to have earthquake insurance. That is a requirement that we have on any project that we finance.

MR. KLEIN: And this project has earthquake insurance?

MR. SCHERMERHORN: Yes.

MR. KLEIN: I thought there was a reference in here.

MR. SCHERMERHORN: No. We have checked with our insurer. Because when this issue came up we wanted to -- Our insurer is very familiar with the Dames & Moore evaluation process that they use. We checked with the insurer on this and raised what it was that we ran into with this and they said, essentially, given that there's such a small number of projects that would'probably fall into this FEMA review test in there they were not concerned about that in our portfolio. That they had no problem accepting this project under our normal and current earthquake insurance costs in the portfolio. And we have got two of these, this one and the next one both fall in that category.

MR. KLEIN: I see. So the reason that the insurance number is still reasonable is because of our portfolio rate.

MR. SCHERMERHORN: Yes.

MR. KLEIN: Did they give us any guidance as to what percentage of our portfolio could tolerate this kind of risk?

MR. SCHERMERHORN: No. Their reaction was, that's interesting, don't worry about it. You don't have enough. Their sense is, and ours is too because we know that it's going to be limited to maybe three or four particular, the Tenderloin in San Francisco being the most obvious one. They, as a proportion of our portfolio, are just not impactive to them so they said, fine.

CHAIRMAN WALLACE: Angelo.

MR. MOZILO: Dick, so I understand it, this is insurance that CHFA has and not insurance that the sponsor is maintaining.

MR. SCHERMERHORN: That is correct.

MR. MOZILO: This is insurance on your portfolio. The sponsor is not getting separate earthquake insurance?

MR. SCHERMERHORN: The insurance is on the project.

MR. MOZILO: I understand that.

MR. SCHERMERHORN: But it is an insurance --

MR. MOZILO: Who is paying for it?

MR. SCHERMERHORN: It is an insurance policy, or insurance package, that the Agency negotiates for our portfolio. For any and all projects in our portfolio.

MR. MOZILO: And who pays the premium?

MR. SCHERMERHORN: The project does.

MR. MOZILO: Okay.

CHAIRMAN WALLACE: That took care of that. Any further questions? Yes, Jeanne.

MS. PETERSON: I would just observe a couple of things. One is that we changed the tax credit rules, pertaining even to tax-exempt bonds in 1999, to require a higher threshold of rehabilitation work. And I note with some interest that this job is proposing to do the very minimum amount of rehabilitation work per unit that we have required under tax credit rules so I'm happy to see that it is going to do that minimum amount.

The other thing that I wasn't aware of until we were looking at the slides is the thing about the washers and dryers. I do not believe that fits with the rules of our committee for a tax credit so I guess we'll see what happens on that score. But I think that what's being proposed is below the minimum number.

MR. SCHERMERHORN: But you may be faced with just a practical physical limitation given this property.

MS. PETERSON: Well, I'm not sure. I mean, this is,

the first time I have heard of it.
MR. SCHERMERHORN: I understand.
MS. PETERSON: So I don't know whether or not we will --
MR. SCHERMERHORN: We have looked at it too and that's --
MS. PETERSON: -- waive that requirement for a minimum number of washers and dryers.
MR. SCHERMERHORN: It's one of the problems with these older buildings. There are some impracticalities about how much you can restructure them to accommodate some of these things.
CHAIRMAN WALLACE: What do you do, turn them down, Jeanne?
MS. PETERSON: We'll see. (Laughter).
CHAIRMAN WALLACE: I mean, there's a --
MS. PETERSON: I didn't really mean that.
MR. SCHERMERHORN: You're on record.
MS. PETERSON: Actually, until some changes that were made last year, the so-called minimum construction standards for tax credit deals that affected both the competitive 9 percent program and the 4 percent tax-exempt non-competitive program really, I don't think, took into account acquisition rehabilitation deals so much. They were more geared toward new construction but they applied to all

projects and there was no waiver permissible. We did add the permissibility of a waiver by the Executive Director as to some of these minimum standards so presumably that would --

MS. PARKER: We have every confidence --

MS. PETERSON: -- be applied for and granted.

MS. PARKER: -- every confidence in the Executive Director.

CHAIRMAN WALLACE: Can't you look for a french laundry or a chinese laundry in the same block or something like that? What is it? It sounds inadequate to me just on the surface.

MS. PETERSON: Yes. I mean, we'll just have to take a look at it. Like I said, I wasn't aware of the limited laundry facilities.

CHAIRMAN WALLACE: There's a greater good here that has to be --

MS. PETERSON: Absolutely.

CHAIRMAN WALLACE: Okay.

MS. PETERSON: It could even be an american laundry.

CHAIRMAN WALLACE: Okay. A Tenderloin laundry. There have got to be plenty of those in there.

MR. KLEIN: Any motions?

CHAIRMAN WALLACE: Yes.

MR. KLEIN: I'd like to make a motion for approval.

With the guidance that we have from the tax credit committee here I hope that we can find someplace in the project to potentially expand those facilities. But I would move for approval.

MR. CZUKER: Second.

CHAIRMAN WALLACE: A second by Czuker, Klein makes the motion. 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: Mr. Czuker?

MR. CZUKER: 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. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-10 (sic) has been approved.

CHAIRMAN WALLACE: Resolution 00-10 has been approved. Let's move on to the second project, O'Farrell Tower.

MS. BORNSTEIN: A point of information. Isn't that Resolution 00-09.

CHAIRMAN WALLACE: Did I say ten?

MS. PARKER: Yes.

MS. OJIMA: I'm sorry, my mistake.

CHAIRMAN WALLACE: I just wanted to see if you were there, Julie.

MS. BORNSTEIN: I suspect you're a fairly adequate predictor of the future but I just wanted to make sure.

MS. OJIMA: Thank you, Julie.

CHAIRMAN WALLACE: That's another seismic motion. Resolution 00-09 has been approved. Thank you, Julie. Let's take on the next one.

RESOLUTION 00-10

MR. SCHERMERHORN: All right, Mr. Chairman. As a matter of background. This is an Agency portfolio project. This is a Section 8 project-based project. The Agency policy is we don't allow prepays on our projects. The only circumstances under which we will consider it is if there is a quid pro quo of increased affordability as a result of the financing proposal attendant to prepaying the existing mortgage. If that is unsatisfactory or lacking then we don't entertain prepay proposals on our projects in our portfolio because the deal that is cut at the outset is for a long term, fixed rate, affordable project.

This is one of our portfolio projects. It's one of the minority number of projects in our portfolio that is mismatched; the Section 8 contract expires ten years before the mortgage does. There have been provisions for most of our mismatched that other funding'sources or sinking funds have been put in place to act as the subsidy support at the point in time at which the Section 8 contract expires and there is no other form of support to maintain the affordability for the remaining life of the existing mortgage.

We are entertaining this one for two reasons. One is because of the mismatch on the Section 8 contract. It is an opportunity for us to restructure this deal to increase the likelihood of the Section 8 contract support continuing on the project. And two, we will increase the term of affordability on it.

So with that, our request for this will be final commitment requests for three loans, permanent financing of O'Farrell Tower Apartments. The first mortgage loan would be a 30-year fixed, 501(c)(3) at 6.2 percent. The second mortgage proposed is $2,274,000 at the same interest rate for a 15 year period. The third mortgage is $1,100,000 at 7 percent, five years fixed, out of our HAT financing.

Now, in addition to that, this project when it was originally financed had an RHCP/CHFA loan. These were funds that came from a bond issue two decades ago. The primary purpose of this funding was to go into projects exactly like this one where there was a mismatched contract situation and it was there to reduce the affordability and ensure the continued reduction of that affordability. It is basically a sleeping second mortgage for the term of the mortgage.

What we're proposing in this transaction is to maintain that loan in the same mode because we are extending the term another 15 years. We are 15 years into an existing 30-year mortgage structure. We are proposing to do a new 30 year mortgage structure, which will extend out our regulatory agreement for an additional 15 year period. We would extend this -- We propose to extend this sleeping second mortgage to be coterminous with our first mortgage on this.

Linn will get into what the effects of the layering of these mortgages are and how the rent support and the financial support for this is all going to work when he does his presentation. I just wanted to make one other point. On page 830, that Current Status paragraph that starts out Section 8 Conversion may have confused you; it is inaccurate. It talks in terms of the project being on annual renewals now. The annual renewals would not kick in until 2005. There's five years left on the existing contract and that's what this paragraph should have said and I apologize for that. With that, let's take a look at the project specifics.

(Video presentation of project begins.)

MR. WARREN: This is also in the Tenderloin District and it's actually just a couple of blocks away from the Lassen project. It's 101 units. They are all one-bedrooms. There are various unit sizes but on average the units have the square footage of 534 square feet. It's a twelve-story building serviced by four elevators. It was constructed, actually, in late '83 and was fully occupied in '85. On the ground floor of the project and in some of the basement areas there is a senior center which is part of the complex itself and there's a gross lease between the property and the senior center. I'll show some slides of that in a minute.

Here's a view from the top, again. I won't get into the whole dialogue on the Tenderloin but the comments that I had for Lassen apply for O'Farrell. Again, we're looking down O'Farrell Street toward the Market area. And again you can see this is the Hilton, Macy's, and Union Square is a couple of blocks up from there. Looking back in the opposite direction. Again, very similar to the buildings. As you can see, O'Farrell stands out. It's a fairly new building, comparatively, to the other types of building structures that exist in this part of the Tenderloin. This is looking further up the street. Very similar, older, established residence hotels.

This is the front entrance to the property. Here is the seating area, meeting room area. To the left here is the senior center which has a number of activities. There's also a meal service, which I'll describe in just a moment. One interesting thing that's happening here is with the web-based delivery of groceries which is occurring in the city the web-based delivery companies, Web Van and such, will hire security people that will basically work here in the lobby at the times the deliveries are made. So when the groceries come for the tenants, because there is no parking here, they can ensure that deliveries are made safely to the residents.

Here is the common area. This window is new. This was originally rehabilitated so it's a seating area for the residents. This is the manager's office. There are security cameras throughout the building. There are tapes that are made on a daily basis, 24 hour tapes,' and observed on a regular basis. This is the dining area for the seniors. As you can imagine, many of the residents in O'Farrell take lunch and dinner meals here. There are also programs that the seniors can enroll in, both at these facilities and nearby.

Standard hallway construction. Fire alarms, drop ceiling, hand rails. Fairly good condition. This is a CHFA portfolio loan as Dick indicated, consequently the units are in very good condition. No real rehab is contemplated for this refinancing. The units are in very good shape. Any long term capital improvements will be pursuant to a price and reserve schedule that we are working on with the sponsors, but generally speaking there are no defects in the property that require any immediate attention.

A look at the rents. As you can see the market rent differentials are somewhat different than Lassen and that's basically a function of the different product type. So we have a nice differential between the affordable rents and the market rents and this is due to the fact that the units at O'Farrell are obviously newer than Lassen and are larger and the project has been better maintained over the period of time.

As Dick alluded to or mentioned earlier, there is a fair amount of financing on this. Just to give you a reiteration of that, we have the CHFA first for $4.2 million, the CHFA second. I've noted SFRDA here. This has to do with a repurchase agreement, which I'll explain in just a minute but it will cover some situations that may occur on the repayment of the second. The third loan for CHFA is based upon Section 8 contracts. And then below we have $2.1

million which is being contributed by the Redevelopment Agency. This will be a lease-hold mortgage. They are buying the land and leasing the improvements back to the sponsor. And then the RHCP of the existing loan that Dick mentioned.

Let me spend a few minutes describing how we have layered the financing. The first loan, the $4.2 million loan, is underwritten to the SO, 60 percent rents for a 30 year period and that leverages the $4 million amount. These rents are readily achievable, as you can tell from the market, and these are the rent levels that the city, that San Francisco would also like to see for their contribution for the property.

The second loan, the CHFA second for approximately $2 million, is leveraged upon the net difference between the SO and 60 percent rents and 80 percent rents and this amortizes over a 15-year period. Obviously, at this juncture these rents are now dependant upon the continuation of the Section 8 contract. The third level of debt, which is the CHFA third, is the difference between the 80 percent rents and the full Section 8 contract rents. Now, since the Section 8 contract, by definition, only goes for five more years we can only leverage this final piece for that five year period. All three of these loans are amortized with their respective rates.

Now, what would happen, then, if the Section 8 contract should continue. In that case we know that after the five year period when the contract expires this Section 8 loan up here will be paid off. It is amortizing. If the contract continues as this scenario calls for, the second loan will also be able to amortize and debt service. In the event the contract is reduced to 80 percent levels, which is possible, the loan would still amortize. And obviously, even if the contract is not continued the CHFA first loan could continue with these achievable rents.

Now, the second situation could occur. What if the contract at the end of the five year period is not renewed by HUD? We don't know what they are going to do so we had to plan for that contingency. If that occurs and the Section 8 contract is not renewed then we have a repurchase agreement that we will enter into with the Redevelopment Agency of San Francisco. And what that basically says is that at this point in time, if the Section 8 stops, the balance of this loan, the second tier if you will, is either paid off by the RDA or the payments will continue to CHFA for debt service purposes. If the contract is reduced to the 80 percent level it does put us in a position where the contract would still debt service.

So under this scenario we feel, at the end of this five year period what is left on the table from a risk standpoint for the Agency is its first loan, which from an

LTV and debt service standpoint, should perform well. The Agency is covered for this remaining piece of the debt and this first piece of the debt will have been paid off. So at the end of the day, the Agency feels comfortable that we have ourselves properly hedged in the event the Section 8 is reduced. So with that I'm going to stop. Back to you.

(Video presentation of project ends.)

MR. SCHERMERHORN: Occupancy restrictions on the project are the usual 20 percent at 50, the remainder at 60 percent. I would note there are no tax credits on this project. We are able to get this transaction done without the use of tax credits, which also enabled us to use a 501(c)(3) bond structure since the borrower in this case wil be Citizens Housing Corporation, a 501(c)(3) nonprofit. They were established in 1992 and the most recent project that they have done with us was the Light Tree Apartments, an acquisition rehab project in East Palo Alto. A.F. Evans Property Management Company would be the manager on this.

The seismic issue on this one never got to the FEMA letter. This project was built under San Francisco's 1982 seismic requirements and it more than satisfied our standard seismic evaluation review of the project. It is structurally in very good condition in that respect. With that we're recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: Yes, Bob.

MR. KLEIN: Is this a congregate facility, congregate dining?

MR. WARREN: No.

MR. KLEIN: No?

MR. WARREN: The dining is optional for the tenants. It's a separate service outside of the --

MR. KLEIN: But there's an optional meal service with SSI for the tenants? Is that how they're supporting it?

MR. WARREN: Yes. It's not part of the rent package, they have to apply separately to the senior center for the meals.

MR. SCHERMERHORN: But they have full one-bedroom apartments.

MR. WARREN: Yes.

MR. KLEIN: Right. They have independent living.

MR. SCHERMERHORN: Yes, it's an independent --

MR. KLEIN: It meets independent living tests.

MR. SCHERMERHORN: From our standpoint it's an independent structure.

MR. WARREN: Yes, independent senior structure.

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: I just wanted to say I think this is a really creative way to structure some financing and I applaud the efforts of the staff. I had two pretty minor things, I think. One is on page 829 in the paragraph that talks about Locality Involvement. The last sentence says:

"In any event, tenants would not pay
more than the 50 percent and 60 percent
of adjusted median income --"

Is that what --

MR. SCHERMERHORN: Yes, this is what --

MS. PETERSON: I think we mean rents based on 50 and 60 percent --

MR. WARREN: Yes, yes.

MS. PETERSON: -- of adjusted median income.

MR. SCHERMERHORN: I'm sorry.

MS. PETERSON: They are not going to pay their income so that's probably a typo.

MR. SCHERMERHORN: You know, we look at these so many times I just read that into it. You're right, good catch.

MR. WARREN: We lapsed into jargon.

MS. PETERSON: And also, on page 835 where it talks about occupancy restrictions. I believe that there's a typo. It says 20, basically, at 50, and 75 at 60, and I think it's really 80 at 60.

MR. WARREN: Yes.

MR. SCHERMERHORN: Yes. Actually, it's --

MS. PETERSON: Because it's really 100 percent restricted.

MR. SCHERMERHORN: Actually, it's supposed to be --

MS. PETERSON: It's 100 units that you are adding up to, right?

MR. SCHERMERHORN: Yes.

MR. WARREN: Yes.

MS. PETERSON: So it should be 80 percent instead of 75 percent?

MR. SCHERMERHORN: Yes.

MR. WARREN: Yes, correct.

MS. PETERSON: And that is for -- Just to reiterate since there isn't a tax credit, that is for the full 30 year term of the first and second mortgages, correct?

MR. WARREN: Yes.

MR. SCHERMERHORN: Yes, correct.

MS. PETERSON: Thank you.

CHAIRMAN WALLACE: Julie.

MS. BORNSTEIN: I wonder if I could ask about the senior center. Is that a tenant in the same structure or is that just a contiguous structure?

MR. WARREN: They are a tenant. There is a gross-lease arrangement between the senior center and the building itself so there is some operating expenses and income.

MS. BORNSTEIN: Is there any net flow then from the senior center lease into the building and did that figure into your calculations?

MR. WARREN: There is commercial income from the senior center into the building as part of the underwriting operations. And under the gross lease basis, expenses for the senior center are in the operating budget for the building.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Just as a follow-up. I think that the optional congregate dining is extremely helpful to, obviously, this tenant base. I was wondering, does everyone at 60 percent of median qualify for the supplemental SSI or is it only part of that group? I know the 50 percent of median would generally qualify.

MR. WARREN: I'm not sure, Bob.

MR. SCHERMERHORN: I don't know the answer to that question.

MR. WARREN: I don't know the answer.

MS. PETERSON (SOTTO VOCE): The answer is, no. I'm pretty sure the answer is, no.

CHAIRMAN WALLACE: We're hearing the answer may be no up here. *Any* other questions? You did a very creative job. I'm surprised you didn't extend it to the laundry facilities because these projects are only about a block apart. (Laughter). Sorry about that.

MR. SCHERMERHORN: One thing I might point out is this layered approach, basically as a template, is how we are looking at Section 8 at-risk projects in trying to do re-fis. How do you get an affordable first mortgage in place for the long term, and then, what resources are available to support whatever other monies are necessary to make the transition work, be it in the sale and/or rehab for the project, and then structure it so it matches up with credible funding sources so we can do an at-risk financing.

The result of doing it this way means that we -- The structuring that has been really coming into place here this past year has absolutely dropped the demand for need of our HAT bridge loan financing or standby operating reserves in many instances. Not entirely, but we have been able to reduce the need for that by structurings like this. Because we're able to get at resources that make sense in this kind of a template on these kinds of deals. And you'll probably see more of these.

CHAIRMAN WALLACE: Good.

MS. HAWKINS: On that note I'd be pleased to make a notion to approve this project. I think we have really stepped up to the plate. I think things looked kind of dreary and dismal about a year ago as these projects were expiring and I think we were contemplating that they would expire shortly. I would like to make a motion to approve.

MS. PETERSON: Support.

CHAIRMAN WALLACE: Motion. Second, Jeanne?

MR. MOZILO: Second.
CHAIRMAN WALLACE: Or Angelo. The motion is seconded. Any discussion on the motion for approval? Bob.
MR. KLEIN: I would just like to add that this is definitely a creative use of our staff resources to stretch the state's resources in this area and I applaud the creativity.
CHAIRMAN WALLACE: Seeing no further comments, secretary, call the roll.
MS. OJIMA: Thank you. Ms. Peterson?
MS. PETERSON: Aye.
MS. OJIMA: Ms. Bornstein?
MS. BORNSTEIN: Aye.
MS. OJIMA: Mr. Czuker?
MR. CZUKER: Aye.
MS. OJIMA: Ms. Easton?
MS. EASTON: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-10 has been approved.

CHAIRMAN WALLACE: I thought we already approved 00-10? (Laughter). Resolution 00-10 has been approved. Mr. Klein.

MR. KLEIN: As a general comment on the San Francisco market area specifically. Every two years we see the earthquake risk analysis increasing radically. U.S. Senator Feinstein, I think, last spoke indicating that there was a 30 percent chance at this point in the next 50 years of a very severe major quake. After the Northridge quake we saw a number of single family insurers wanting to withdraw from the California market.

We are assuming here in the multifamily area that we're going to have insurance. I don't think that that is necessarily true. Multifamily insurers after a major quake are going to be under Wall Street pressure to withdraw from the California market because when that comes it's going to be a very substantial loss. So the question is, shouldn't we be looking at our portfolio? And even though I think it is an excellent idea to have earthquake insurance on this portfolio program, shouldn't we look at the down side that if multifamily insurance becomes unavailable --

They are under no obligation, as I understand it, to renew year-to-year. Maybe we could negotiate an exception on a portfolio basis for a multi-year contract so we don't have a surprise with 12 months to figure out how to react to the surprise. And shouldn't we look at what our exposure would be and how we would deal with it if, in fact, multifamily insurance became unavailable following, even, something leading up to a major quake?

MR. SCHERMERHORN: We have been unable, to date, to negotiate a multi-year earthquake insurance package; it has been on an annual renewal basis. Beyond that I'm not sure what more, you know. From all indices that I'm aware of we get a very favorable rate for our projects in this pool. We have asked that very same question of ourselves and we don't have any instant answers on this.

MR. MOZILO: I would just make a comment. The issue of the rating agencies would be the same relative to a multi-year contract. They would not permit them to make a multi-year contract without downgrading them so they can't do either. You're back to the same square when you go through that process. You'd probably become a self-insurer at the end of the day.

MR. KLEIN: Okay.

MR. MOZILO: And we have the projects, we're on the hook. You're self-insured. We've been through this before and that's sort of the cycle you have to go through.

MR. KLEIN: I guess then the question is, if we're looking at the potential for having to self-insure here, shouldn't we analyze that risk, quantify it and figure out from a strategic viewpoint how much of that risk we want to take in any one geographic area?

Actually, the US Geological Survey, if you listen to their presentations on the earthquake risk they're pretty dramatic, and poignant if you're living in the Bay Area. I think that this information is constantly being highlighted and it would be good if we could look at it and get a staff report back on how we can geographically limit our exposure or otherwise position ourselves so that we do have some answer if we are faced with this.

CHAIRMAN WALLACE: Good point. Terri is making copious notes so we could expect some kind of an analysis. Not at the next meeting.

MS. PARKER: We'll talk with you and at our next meeting we'll give you a report, basically, on what our strategy will be to essentially address the issue, Bob.

MR. KLEIN: Thank you.

CHAIRMAN WALLACE: Okay, let's move on the third project, and I've asked Vice Chairman Carrie Hawkins to chair that event. Carrie.

MS. HAWKINS: Thank you, Mr. Chairman.

RESOLUTION 00-11

We're moving on to Item number 5, which is a discussion, recommendation and possible action relative to a final commitment modification on the following project, which is Park Place Apartments in the Van Nuys, Los Angeles, community. Dick, will you be taking over?

MR. SCHERMERHORN: Yes. We do not have a full presentation on this because the request that is on the table here is for a $650,000 tax-exempt bridge loan. The Board approved this project back in Pall of '98.

(Chairman Clark Wallace exited the meeting room.)

What has happened in the intervening period, and what's detailed in the package, is the cost overruns that have occurred. We have been in negotiation with the sponsor about that situation. There have been a number of other additional funding sources that have agreed that, one, the cost overruns were legitimate, and two, that they have made financial contributions in this particular case to help mitigate that situation.

There is no change to the first mortgage that was approved previously by the Board. This amount would merely make a tax-exempt loan to qualify the. project for four percent tax credits. Because the costs have gone up the original mortgage amount fell below the qualifying threshold for tax-exempt primary financing to qualify it for four percent tax credits so we need to increase the amount of tax-exempt loan on the project to qualify it for the four percent tax credits. And this loan would be repaid by the tax credits that come to the project.

The increased amount has already been approved by the Tax Credit Committee so this would finalize the step of getting the additional resources on the project to cover the additional costs that took place and it will represent the requisite amount of tax-exempt financing that needs to be in place to qualify it for the four percent tax credits. And with that we're recommending approval, be glad to answer any questions.

MS. HAWKINS: Board? Yes, Ms. Bornstein.

MS. BORNSTEIN: Thank you, Madam Chair. Dick, I'm assuming we're subordinate to the City of Los Angeles on this bridge loan?

MR. SCHERMERHORN: No.

MR. WARREN: No.

MR. SCHERMERHORN: No.

MS. BORNSTEIN: Oh, we're going to be ahead of the City of Los Angeles?

MR. SCHERMERHORN: Yes.

MS. BORNSTEIN: Okay.

MR. SCHERMERHORN: We don't subordinate.

MS. BORNSTEIN: Good, okay. The source of repayment will be --

MR. SCHERMERHORN: The tax credits.

MS. BORNSTEIN: The tax credits. And it just takes two years to put that all together.

MR. SCHERMERHORN: So that it meets bond counsel tests.

MS. BORNSTEIN: Okay, good. Thank you.

MS. HAWKINS: Yes, Ed, Mr. Czuker.

MR. CZUKER: Could you please describe in a little greater detail what type of cost overruns changed the deal structure?

MR. SCHERMERHORN: Okay. On page 851 of the Board package: The following unanticipated problems occurred during construction. All of the plumbing supply and waste lines had to be replaced. There was extensive dry rot uncovered during rehab that was not originally anticipated. Then there was a problem of doing all of this on a three-story building. They had to get -- All of the units stacked had to be vacated at the same time in order for them to be able to do this, which created vacancy problems on it.

The existing plywood sheer panels were too thin to meet code so they all had to be replaced. That required demolition of many of the interior plaster walls which contained asbestos, which then required a licensed asbestos removal contractor to come in and help out. And then they Biscovered that the lightweight concrete floors on the second and third floors were badly deteriorated once they got them uncovered and they had to repair those. Hence the increased costs.

MS. HAWKINS: Any other questions or comments? I can only say that I sympathize and will not be critical of their analysis since I just went through a replumbing of a house that was built in 1929 and I ran into every one of these situations.

MR. SCHERMERHORN: That's why rehabs are always tricky.

MS. HAWKINS: Yes.

MR. SCHERMERHORN: And difficult.

MS. HAWKINS: Okay. Any other questions or comments? Hearing none --

MS. EASTON: Move to approve.

MS. HAWKINS: Yes?

MS. EASTON: I'll just make a motion to approve.

MS. BORNSTEIN: Second.

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

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?
MS. EASTON: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Mr. Wallace?
(No response).
MS. OJIMA: Resolution 00-11 has been approved.
MS. HAWKINS: Thank you.
MS. OJIMA: Thank you.

RESOLUTION 00-12

MS. HAWKINS: Let's move on to Item number 6, which is a 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. Mr. Carlson.
MR. CARLSON: Thank you, Madam Vice Chairman. I'm not here to give a full report about the proposed acquisition of the Section 236 portfolio; that project is still in its infancy as far as we're concerned. But one of the things that we have done is identify that when your Board passed the

financing resolutions in January to grant us authority to sell debt for the year 2000 this was not anticipated at the time.

So what we would like to do with this action is have your Board approve a new resolution, 00-12, which would amend the prior resolutions and give us the authority to authorize as much as $600 million of borrowing to acquire multifamily loans and give us the ability to enter into -- our ability to enter into short-term credit facilities. Have that increased by $600 million and authorize us, in fact, to apply to the state's Pooled Money Investment Board. This is the Board that's chaired by the State Treasurer that sets investment policies for all the state and local money that is in the investment pool.

We have, currently, $150 million borrowing from the investment pool for, basically, our single family loan warehousing program. The financing resolutions that were approved in January authorized us to increase that to $250 million if we needed to. This would add another $600 million, so up to $850 million if that were necessary.

In addition, we identified a type of borrowing that we have not yet ever done here at the Agency, it's called commercial paper. It's the typical way in which corporations borrow for interim purposes. The State Treasurer is already involved in a large commercial paper borrowing program now to finance general obligation-type projects. Also, the Department of Water Resources has a CP program. Commercial paper is usually known as CP.

We think we should have that type of authority ourselves. We have here the form of a commercial paper indenture, which obviously is not a lot of fun to read but it's typical of the type of indentures that we have. We would like authority to have that be one more type of debt weapon in our arsenal, if you will, and we think that would make us even more like the type of financial corporation that we like to emulate.

So with the thought that this is a preliminary step that needs to be done in order to get us ready. We don't know what kind of debt we'll need to issue at all for the acquisition of Fannie Mae's portfolio. This would just add one more kind that we could use when the time comes. With that, I'll be glad to take any questions and would ask for your approval of resolution 00-12.

MS. HAWKINS: I have a question. Mr. Klein, go ahead.

MR. KLEIN: While I support this tool in the financing arsenal of the Agency I have a concern. Not with the quality of the staff execution nor with the advisors, because I think they are both excellent, but I have a concern that as Board Members we have a different level of responsibility in the type of programs we're getting into where debt management and the kind of debt we're in is much more complex than may have historically been true for the Agency.

In the mid-1970,s the Urban Development Corporation of New York had a substantial amount out in floating rate debt. The New York City bond crisis meant that John Burnette (phonetic) who was the head of that agency, had to negotiate a private placement of $600 million to take out that floating rate or short term debt.

(Chairman Clark Wallace re-entered the meeting room.)

John Burnette was a brilliant individual, probably one of the finest people in housing finance in the history of the United States, and he effectively carried that out by private placement of that $600 million with more than 30 savings banks, savings and loans and banks in New York City.

When I read our Business Plan I see that we are doing a fair amount and significantly increasing amount of short term financing, which I think is a responsibility as well. We have to accept that challenge, and I think our staff has done a wonderful job in executing on that challenge to date in using short-term debt to meld with a rollover in our single family debt portfolio to really extend our potential to make loans, and in the multifamily portfolio we are going to see those same techniques applied. I think that the swaps they are executing are great. They are really protecting us on a large portion of that debt, but there is another portion that, as the Business Plan points out, they can't really strategically position us to use swaps efficiently on.

I have proposed before, and I think it's critical to my own position in approving this or the Business Plan, that we have a Board subcommittee on finance that is prepared individually to meet with the finance staff more intensely on these issues than the Board as a whole. We certainly have the expertise of the Treasurer's staff, we have the expertise of Governor's staff appointments here on the Board.

We have a Board that was initially designed to be substantively involved and this is a critical point in our evolution where our staff has taken on the challenge we have put before them. But it's our responsibility as a Board to aggressively accept the responsibility that comes with our mandate to them and be involved in reviewing in much greater level of detail the financial structures, debt management and risk management structures we're putting in place.

So I applaud this program and the Business Plan program but I really don't feel I can participate in approving this or the Business Plan without the designation of a subcommittee of the Board. Which doesn't have to happen today but it has to be a commitment to designate a subcommittee of the Board who will substantively take on this responsibility. We have a very major program here. I think this is a good instrument, but this is something that I've raised before. At this point I feel it's critical if we're going to proceed in a prudent way.

MS. HAWKINS: Thank you, Mr. Klein. Mr. Mozilo next; and I turn the Chairmanship over to Mr. Wallace.

CHAIRMAN WALLACE: Go ahead.

MR. MOZILO: By the way, I do support what Bob said, that the surveillance should be a little more intense because these are complicated issues. I've got three questions, and I apologize, I think I'm probably repeating one of them because I wasn't present when this took place. One is, the reasoning behind the acquisition of the 236's, the acquisition of the portfolio from FHA is what? What is the reason for that?

Secondly, what is the rating on the CP? Is it the state rating or do you have a separate rating? And thirdly, the issue that Bob raised as to the swaps. Why do we have limitations on the swapping techniques? Because that would be critical to making certain that we can weave our way through these volatile markets. Those are the three questions.

MR. CARLSON: Okay. I --

MR. SCHERMERHORN: I'll answer them.
MR. CARLSON: I probably --
MR. SCHERMERHORN: I'll answer number one.
MR. CARLSON: Right.
MR. SCHERMERHORN: There is an opportunity prior to August 1 to acquire the California FHA Fannie Mae 236 portfolio. The reason we would be interested in doing that is to get into a direct lending role with the project owners so that we could fashion potential refinancing or extended financing arrangements to extend the affordability. Those projects are either eligible or will be coming eligible for prepayment over the next ten years and it's an opportunity for us to get into a direct involvement with those projects. To be able to do a better and more effective due diligence on the projects to ascertain which would be the best candidates for re-fi. Primarily it's --
MR. MOZILO: Let me ask you relative to that then. Are we in conflict with established intermediaries who would normally carry out this function? Mortgage bankers, banks?
MR. SCHERMERHORN: No, Fannie is only offering these to public housing agencies. This one-time opportunity is only to the public housing agencies.
MR. MOZILO: Thank you.
MS. PARKER: Dick, I wanted to add to that. Basically, our colleague housing finance agencies across the

country are almost sort of in the first position to take a look at being able to accomplish this.

MR. MOZILO: Thank you.

MR. CARLSON: If I may on the second question about ratings. We would probably recommend pledging the Agency's general obligation to CP and that would, at a minimum, give us the double-A-minus, double-A-three ratings that we carry on the CP.

MR. MOZILO: Moody's and S&P?

MR. CARLSON: Yes, yes. Also, away from the interest rate risk, the loan portfolio is all guaranteed by FHA and the assets would be pledged. The third question about limitations we have on swaps. I think, if what we're talking about are the unswapped variable rate obligations of the Agency, I think, as I've stated in the report that's in the back there, I think our purpose there has been to try to have the Agency's assets and liabilities better matched.

We have approximately, now, something like a little over $500 million worth of variable rate debt against which we have not entered into swaps or entered into any kind of external hedges. That's intentional. Most of that, the risk on most of that is limited by the fact that it's against seasoned portfolios of single family loans to be paying down quickly. And we should see over time that the net amount there against each piece will drop over the years.

We are looking at some hedged strategies involving the purchase of interest rate caps. We would recommend probably doing that at some out-of-the-money interest rate. But what we're trying to do here is make sure that we have used the internal hedging of the Agency. We have money invested at a variable rate, largely in the state's investment pool, which we'd like to make sure that we have at least the same amount of variable rate debt outstanding as we have there.

Also, there is enormous annuity value in our single family program. If rates fall and people pay off their loans we have lost that annuity value. You can almost look at it like an interest-only strip and we need to hedge that with variable rate debt as well. So it is our intention to keep pushing that envelope and see what is that amount of variable rate debt that we should have that's essentially there to help us match our assets and liabilities.

MR. MOZILO: Just one other question related to that. I'm assuming you're working with advisers --

MR. CARLSON:. Yes.

MR. MOZILO: -- on this entire hedging strategy.

MR. CARLSON: Yes.

MR. MOZILO: Because there's a lot of tools available today, a lot of derivative instruments that have been developed that weren't around in 1970. Because he could have gotten approved much easier today than he could have back in the 70's.

MR. CARLSON: Right.

MR. MOZILO: In the volatile environment we are in today, and the spread widening that we have, how do you find that market in terms of the process you're going through in issuing additional bonds?

MR. CARLSON: Well, I think what it's made -- it's made it clear to me that the swap market has really proved its worth as the best way for us, in many cases, to raise money and lock up a fixed rate. I think what we're seeing right now in the short-term markets--and apparently it's seen every year at tax time, this has just been a higher and sharper change --

MR. MOZILO: Well, it's inverted.

MR. CARLSON: Well, I'm thinking about tax-exempt floating rates have spiked more than they usually do and they haven't come down yet. But the way I look at that is that in February our tax-exempt floating rates were below two percent so now they are over five percent. And it all comes out in the wash is the thought, it has over time.

MS. PARKER: Ken has under the Report tab the most recent report on the bond sale we have just done. We are continuing to use the services of the swap advisor that we had hired, Peter Shapiro, and his company, last year. I know that the ability to do swaps with our most recent deal was we were able to -- Wasn't the figure $18 million, Ken?

MR. CARLSON: Yes, that's correct.

MS. PARKER: Of essentially reduced costs to the Agency. Which allows us, in a sense, to be able to keep our rates down in an increasing rate environment. We essentially look at every transaction that we're doing these days to figure out what is the best combination of fixed and variable rate products and essentially use the benefit of the advisors, both our underwriters and our swap advisors.

MR. MOZILO: Thank you very much.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: Yes. I believe I support this resolution, however, I would like to follow up on Angelo's point because I think we always need to be sensitive that we do not compete with the private sector in anything that they can do. That we should concentrate on the things that the private sector can't do as well as we can for the market. Angelo, is there any issue with the mortgage bankers and Fannie Mae as far as only offering this to public housing agencies? Do you think that would be --

MR. MOZILO: No. I mean, if that was an option I'm sure that mortgage bankers would object to it, but they don't have that option it seems to me. So be it.

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: I have a point of clarification, mainly, and that is that by adopting this resolution we are authorizing changes to the existing financing mechanisms. But I would assume that whatever both borrowing mechanism is used and purchasing mechanism is used that this would come back to the Board for a vote at a subsequent meeting. Is that correct?

MR. SCHERMERHORN: That is correct. If there is going to be a transaction around this we will bring it to the July Board Meeting.

MS. PARKER: Let me just add. Obviously, I think what Ken and the staff were proposing to do here is to give us some additional tools in the tool chest. We're not going to be moving forward on any of these without substantially greater discussion.

I think Dick may or may not touch on this when we do the Business Plan but we have hired consultants to help us with the acquisition of this 236 portfolio. We are looking at a number of these kinds of financial transactions. We are in communication with the Treasurer's Office and his staff abput a number of these options. I think at this particular point in time it is as much of anything as getting a feel from the Board about their ability to have us look at these. But we're a long way from, you know, going headlong into any of these at this point in time.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I would like to make a motion for approval. But since we're looking at it, conditioned upon that motion, including a provision for establishing of a subcommittee of the Board that will work with the staff to understand the programs substantively. To understand the risk management profiles and choices that are being made substantively. And that this certainly is not intended here to create a burden on the Board. Members of the Board could volunteer for this committee to take on the additional time responsibility.

But when we come back with specific applications, which may be part involved in opportunities like this August 1st opportunity which is coming upon us pretty quickly, this will create a foundation where the Board will have the comfort to strongly and aggressively continue to support the staff in the initiatives we so much want to see carried out.

And certainly Peter Shapiro is an Outstanding advisor and Ken and his staff have done an outstanding job, as has the Agency staff in general. But we are going to get into areas here, very significant areas, on the risk management and staying uncovered in some of these positions, where we will have problems at times with unexpected yield changes. Unprecedented changes like we've been seeing in the last couple of weeks, for example. That we need to be prepared as a Board to know that there will be these problems but we have looked at them and we are comfortable and we can continue through them with strong support for the staff.

CHAIRMAN WALLACE: Bob, that's too long a motion for me to --

MR. KLEIN: The motion is specifically that I move approval with the inclusion of a Board committee which will volunteer to commit additional time to work with the staff for a technical understanding of the risk in financing mechanisms we are using.

MR. MOZILO: Mr. Chairman. Could you withhold your motion for a second?

MR. KLEIN: Yes.

MR. MOZILO: Just so I can get a sense of history. Has there ever been a subcommittee of the Board, to anybody's knowledge, in the past?

MR. SCHERMERHORN: Yes.

MS. PARKER: Mr. Mozilo, there is a subcommittee that exists --

MR. SMERMERHORN: Not for this purpose but there was for programs.

MR. MOZILO: For other purposes there has been a subcommittee. And two, can I get a sense of the --

MS. PETERSON: Dick, why don't you -- LaVergne, you want to provide a little history?

MR. LaVERGNE (FROM THE AUDIENCE): Yes. In the --

CHAIRMAN WALLACE: Dick, come on up to the microphone.

(Tape 1 was changed to tape 2.)

MR. LaVERGNE: Up until the late 80's --

CHAIRMAN WALLACE: This is Dick LaVergne.

MR. LaVERGNE: My name is Richard LaVergne, I'm Chief Deputy for the Agency. Up until the late 80's there was a financing subcommittee of the Board that did essentially what is being discussed today. That committee met prior to the full Board, although there are a number of other alternatives on how to do that. This would not be the first time that such a subcommittee was --

MS. PARKER: And currently there exists another subcommittee which is the committee on insurance, which does meet periodically after the Board meeting.

MR. MOZILO: Can I just get a sense from the staff, and from you, Terri, of how you feel about that? Do you consider that a support or intrusion? What is your sense?

MS. PARKER: Mr. Klein's suggestion or having --

MR. MOZILO: The subcommittee that has been proposed.

MS. PARKER: Actually, what I was going to suggest to offer to the Board Members: What I would like to do is actually take a little time after this Board meeting and meet with many of you to get your input on what exactly you would like this committee to be. What you would like to have it accomplish and how it would function. In that sense, would it be a subcommittee that, as LaVergne has suggested, met previously in the past prior to a Board meeting.

I know that when I sat on STRS for a number of years STRS had a subcommittee which was the investment committee. And in that particular case all the Board Members were interested in the investment committee so it met at a separate time but all the Board Members sat on it.

So I guess what I would like to do is come back and get a sense of what the subcommittee would do and then what the interest of the Board Members would be. What they would see as to how it would be utilized and function. Then offer that to the Board for a little bit more discussion before we settle on a prescribed task and function on how it would work. To give you a little bit better feel.

MR. MOZILO: I think what Bob's proposal is, I think, to have a subcommittee, let's assume that it's have a subcommittee, or focus through a subcommittee on this particular issue. That's really what I think he has proposed here, without getting into the specifics of how it would work and how it would meet. How does that -- How would a proposal like that sit with you at this juncture?

MS. PARKER: You know, I think, again, if the committee feels that this is useful for them staff will be responsive. Clearly, the Board has to act, not only in setting our philosophy but also the due diligence and has fiduciary responsibilities. I think we would recognize that we would want you to be comfortable in having the appropriate amount of knowledge and expertise in order to be making these kinds of fiduciary decisions. You have to vote. Your names go on the record and we want to make sure that you are comfortable. And I think Bob is correct. And, Mr. Mozilo, you said, we are entering into more and more complex kinds of financial arrangements, frankly, in order to be responsive to make deals happen in California.

I think we would not be responsive in that sense as staff if there were an uncomfortability among the Board Members that they, in order to serve in their role, didn't have enough information. We clearly want to be responsive. So in that sense I don't see it as putting something on us that would be some kind of burden, I think that's our responsibility.

MR. MOZILO: Okay, thank you.

CHAIRMAN WALLACE: With that in mind let me suggest that the Chairman should make the appointments. And I think we probably should do this, at least on an interim basis, for maybe a year or so. See how it goes, see if it's positive, then we can evaluate it. So my sense is that I should probably appoint three members.

MR. MOZILO: I think we have to have a motion.

CHAIRMAN WALLACE: I'm not going to do it. I'm floating a trial balloon.

MR. MOZILO: I see.

MS. PARKER: Do you want to do this today? I'm just suggesting -- Dick, I don't know enough about how it functioned in the past. I would be a little bit more comfortable to go back and find out a little bit more information about how it functioned and report that back to the Board, perhaps at the next meeting. Is that --

MR. KLEIN: Well, whether it's three or five members, I don't think we need to decide on that today. But I would think we could give the Chairman authority based upon the staff's investigation, to carry it out.

CHAIRMAN WALLACE: That's fine. Are you comfortable with that, Dick? Ken?

MR. CARLSON: Oh, sure.

CHAIRMAN WALLACE: Terri?

MS. HAWKINS: I'll second that.

CHAIRMAN WALLACE: Why don't you give me, which I probably already have inherently, the authority to appoint a committee on this issue after discussion with the staff. And we'll come back with a specific proposal, I hate to say this, at the July meeting, because you're about to hear it's a horrendously long agenda anyway. But we will do that. So if you would then amend your motion to --

MR. KLEIN: Mr. Chairman, I will amend my motion to directly give the Chairman the authority to investigate with staff the size of the subcommittee and the procedures the subcommittee will follow in carrying out this responsibility in creating the subcommittee and its reporting relationship with the Board.

MS. HAWKINS: And I'll second that.

CHAIRMAN WALLACE: Okay. And that's concurrent with the motion, Bob --

MR. KLEIN: Yes.

CHAIRMAN WALLACE: -- to approve Resolution 00-12.

MR. KLEIN: Incorporated in that motion, yes.

CHAIRMAN WALLACE: Correct, Carrie?

MS. HAWKINS: Yes.

CHAIRMAN WALLACE: Okay. On that motion is there any further discussion?

MR. BEAVER: I have a comment, Mr. Chairman. Just so everyone knows, that committee's deliberations would be subject to the open meeting rules.

CHAIRMAN WALLACE: Fine, I don't think we have a problem with that. And let me just make a comment. I'd like some volunteers, or people who have interest. At the end of the meeting if you'll come and mention that to Terri or to me that will help us move this along. Everybody got the sense of what we're trying to do here?

MR. BEAVER: I just have another cautionary comment. Deliberations among Board Members about how this committee would work probably should be on the record. I get the sense that we're talking about --

MR. KLEIN: Is that three members or more? Is that what you're saying?

CHAIRMAN WALLACE: You can't have --

MR. BEAVER: I have the concern that what the Chairman was asking for was an opportunity for Board Members to come and offer their comments about how the committee should be set up. And I just wanted to caution that --

MS. PARKER: Dave, do I have the authority to speak with Board Members on a one-on-one basis about what they would see would be important to them to have the subcommittee accomplish?

MR. BEAVER: It moves into a dangerous area. If you are going to talk to one or two Board Members maybe that would be okay.

MR. KLEIN: Can I ask for clarification? My impression was that boards had the ability to talk about procedural matters when they're not making substantive decisions. They are not' affecting the economic interest of any party, they are not making substantive decisions. They are talking about topics, they are talking about who has the time to volunteer. Those things, my understanding, can be discussed outside of those limitations.

MR. BEAVER: That is not really *my* understanding. I think the creation of a committee, the deliberations concerning that are matters that would fall within the open meeting rules, would be my view.

MR. KLEIN: Well, the deliberations concerning the creation of the committee have already occurred. This is merely setting the agenda and/or the topics to be covered and procedures. It's not --

CHAIRMAN WALLACE: Who wants to serve? And we'll deal with that.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: I understand your concern and I believe we can deal with that.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: If I have to we'll deal with it on the record at the next meeting.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: But in the meantime I'd like an indication of people who might be interested in serving. And I clearly understand you would be, Bob.

MR. KLEIN: Right. Right.

CHAIRMAN WALLACE: I've read the tea leaves and I sense that. There's a couple others that I would encourage. My sense is, on the record, that we need about a three member--I'm not committed to it--but we need three members rather than a committee of the whole, for example. Things like that. So I think we can effectively deal with it and not violate the Brown Act. Okay? Yes, Julie.

MS. BORNSTEIN: Not to beat this point to death; I concur with the advice of our counsel. But just one issue for you to consider, Mr. Chairman. If we had a three member subcommittee then two people of that subcommittee would be a quorum and I would suspect then that those two people would be subject to the open meeting laws as a quorum of a regularly constituted sub-body of this body. So I would suggest perhaps a larger number on that subcommittee so that the simple meeting of two Board Members who might happen to be on that subcommittee doesn't constitute a quorum. And I'm not sure if counsel agrees with that interpretation, but I would be worried about a quorum of a regularly constituted sub-body.

MR. BEAVER: Yes, that's an interesting point. Obviously, the larger the subcommittee the larger the threshold that you would have to cross before it becomes a meeting problem.

MS. BORNSTEIN: I would recommend perhaps instead of three, maybe five.

CHAIRMAN WALLACE: I'm not committed to anything, I'm just giving you some for-instances. And we will consult with legal counsel before we bring back the recommendation to you.

MS. BORNSTEIN: Thank you.

CHAIRMAN WALLACE: Steve, isn't this fun?

MR. NISSEN: It reminds me of a prior incarnation. (Laughter). The State Bar had its own open meetings act.

MR. MOZILO: The thing in common is there are too many attorneys involved.

MR. NISSEN: You have an -- Pardon?

MR. MOZILO: The thing they had in common, there were too many attorneys involved.

MR. NISSEN: I'm not arguing with you.

CHAIRMAN WALLACE: Hearing all this valuable input, we will come back to you at the next meeting with some recommendations. But first things first. Is this something we want to do? There's a motion pending on the floor, anyone else want to speak to the motion? Hearing and seeing no further discussion, secretary, call the roll.

MS. OJIMA: Thank you, Chairman. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.
MS. OJIMA: Ms. Easton?
MS. EASTON: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Mozilo?
MR. MOZILO: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: I was waiting for Bob to vote no but I'm going to vote *yes* on it.
MS. OJIMA: Thank you, Mr. Chairman. Resolution 00-12 has been approved.
CHAIRMAN WALLACE: Resolution 00-12 has been approved, thank you. And thank you, Bob, and Board, for your indulgence.

RESOLUTION 00-13

So with that we move on to Item 7, which is the Business Plan. And to kick that off I'll ask for Terri to give her opening remarks.
MS. PARKER: Thank you, Mr. Chairman. Now that we have discussed the financing portion of this we are going to move into, basically, the Business Plan, which lays out and operationalizes for the staff what we would have as our goals

and objectives for the next five years. I think I pretty capsulized my comments in my letter to you all.. We think that this is a very aggressive Business Plan and appropriate of starting our next 25 years of operation. It's almost $8.8 billion in totality over the five years, which is an increase over the Business Plan that we adopted just a year ago of $7.1 billion. I think it's important to note that those numbers are larger goals, but the Agency continues to be more successful at meeting the targets we set for ourselves.

When the Board adopted the Business Plan last year that created the first year of implementation, the year that we're in, single family had a goal of $1 billion; we will meet that. It had a goal of $155 million for multifamily; we will meet that and exceed that 125 percent. On the insurance side it had a goal of $385 million; we are projecting to be 68 percent of that goal. Which if you recall, only a couple of years ago we were barely in the teens of meeting our objective. So we continue to set aggressive goals for ourselves but ones that we believe are achievable.

In addition to the production side that we will go through for single family, multifamily and insurance, we will also talk a little bit about our operational budget. Jackie will do a presentation on that. It does have a 12.2 percent increase but, basically, 75 percent of that is statutorily driven because of salary increases that are required. And since we are growing we need additional space. We can certainly -- And Jackie will be able to go through and articulate where all those dollars are.

The last three points I want to leave you with before Dick and John go into their presentations are: This is not in any way a status quo, even though some of these numbers do continue over the period of time. The numbers that we will have here will have additional risk on the Agency in order to be achieving these. There are a number of assumptions that we have had to make which will, obviously, be predicated on what happens in the market, what happens with private activity bond, what happens to, essentially, whether we have products that frankly will work in the dynamics that the state will be seeing in the next five years.

The second thing about the Business Plan is it is not meant to be a static plan, it will be a dynamic plan. There are a number of things that are happening in the state and at the federal level that will impact the Agency. We don't have enough detail in order to incorporate them into the Business Plan but I have listed them.

We are on the threshold of the state enacting legislation which could give additional responsibilities that we think are appropriate to the Agency to do, whether it be to do a down payment assistance program for teachers, whether it be to do a down payment assistance program in greater amounts for first time home buyers. We may be a player in many of those activities and we will be coming back through board resolutions when we have more information to make amendments to this Business Plan to essentially take on and play a role in helping the home ownership and rental housing programs to the extent that we can to the state.

The last comment is, as we have made mention in our previous Board meeting, and it's in the minutes, the staff have really challenged themselves to look at our goals and objectives based on maximizing public benefit. That is our theme. We are measuring everything against that, whether it be home ownership programs, multifamily programs, and even in the insurance area. When someone comes to us, that is our question and it has provided great clarity for the staff in our discussions. And I think that we are hearing from our customers that being challenged on public benefit not only is appropriate, but where the focus should be for all of us.

So with that I will turn it over to the staff for the presentation of the Business Plan.

MR. SCHERMERHORN: Well, if this works we'll start with single family.

(Video presentation of project begins.)

Our mission in single family is to make financing opportunities available to very low, low and moderate income first time home buyers. Our objective is to provide those first time home buyers with supportive mortgage financing and to achieve equitable distribution of our loans throughout the state and between new construction and resale.

The strategies for the new Business Plan that we're looking at is to continue providing the long-term, fixed rate, below market first mortgage that is the primary product that we offer. To continue providing the tiered rate structure for low and moderate income. As you recall, last year we introduced that and it's been very successful in achieving a number of our objectives. We currently have a 75 basis point spread between the low income rate and the moderate income rate and I'll show you some more specifics of that here shortly.

We are also, from a strategy standpoint, continuing to assist very low income and low income with supportive programs such as the Affordable Housing Partnership Program, which is the program in which we offer a 25 basis point reduction to the borrowers who have locality down payment assistance support coming in with the transaction with us. Also our 100 percent loan program. The Self Help Builders, Nonprofit Housing Program, Rural Development Leveraging Program are things that we are using to support this activity. Also, we want to maintain the statewide lender network with our financing available on a year-round basis.

This was the goal for this year, $1 billion. We started with our reservations. As you may recall, at the beginning of the fiscal year last year we were coming out from under a substantively constrained scenario in which we had much greater demand than we had resource availability for, so our reservations started at an abnormally low level and over the time we were able to pick that up. We allowed for this curvature to occur here because as we neared the end of the calendar year we were looking at what it would take to aake this number here.

This reservation push in here has put a sufficient pipeline in that we will be able to loan-purchase a sufficient amount to make this particular bogey. We have an error margin of about one-half of one percent at this point in making that right there. This line is our loan purchases to date. What will happen as we go into the new fiscal year now is the loan purchase line is making a little push at the end of the year and then it will drop back to just underneath our reservation.

Since loans that we are reserving today won't be purchased until next fiscal year that means that our activity rill be starting to count for our next fiscal year's program. We are starting at that point right now at about the reservation level we want to be. We may need to constrain it a little bit more but we're pretty close to where we want to be at this juncture, assuming some of the characteristics for next fiscal year. That's what we have accomplished and we are starting off this year in really good shape to continue with our activity.

Our activity that we are looking at is a maintenance of the $1 billion production level on an annual basis in the Five Year Plan. We look fine from a resource support standpoint to do this next year. In the subsequent years it will become more challenging because our ability to recycle will be dwindling. It is at this juncture most likely that we are going to need a higher level of private activity bond support in order to make this production level if that is to be maintained. There are obvious unknowns at this juncture, just how much leveraging and in what fashion are we going to be able to accomplish it. But for plan purposes we think, given what we see in the foreseeable future and the need for affordable housing, that this is a legitimate objective to have on the table and work towards.

In support of that, the Mortgage Assistance Program under our Housing Assistance Trust Fund auspices. You may recall last year the Business Plan had a total of $25 million spread $5 million a year. We came to the Board in January to revise that. In effect, collapse that $25 million into a two year period because of the high demand that was occurring in the use of our down payment assistance to make the 100 percent loan program. We have re-looked at what resources we have available.

What may be happening--and I stress may, we don't know what's going to be happening in the next couple of years. You are all probably aware extensive discussions are taking place with the Administration and with the Legislature and at local levels about more down payment assistance because many folks are coming to the conclusion that when it comes to providing affordable home ownership that down payment assistance is the single-most impactive form of assistance that you can put out on the street right now.

Given that, for this coming fiscal year we would like to maintain the $15 million level. Then we propose to phase it on down in anticipation of the possibility of other resources coming into play. The fact that we have got -- This aggregates to a $50 million figure so we are proposing to double our amount of mortgage assistance over a five year period from the previous plan. But we want an opportunity to take a look at what is going to happen this coming fiscal year and see just how much of this is going to be needed in the out years. And obviously, we would revisit that as needed during the coming fiscal year and, of course, at next year's Business Plan review.

Self Help Program. We have maintained $2 million is the development loan level for some time. It is a niche program. It is very helpful to our clients out there. We meet with them annually. We are not going to make a $2 million level this year. Not that we don't have the applications in the pipeline for it, it's their, for various reasons, their processing of this product which takes extended periods of time to get their deals put together isn't going to make a June 30 cutoff date. We'll probably have at least $1 million worth of it early on in the coming fiscal year because we have got about $3 million worth of applications in the pipeline right now. So the Self Help Program we're recommending to continue in that particular level.

I mentioned the tiered interest rate structure. Today this is what our tiered interest rate structure looks like on the street. Our vanilla rate is our low income rate statewide and that's currently at 7.5. AHPP, which I mentioned, gets a 25 basis point preferential rate if there is locality down payment assistance accompanying the loan. This product is not available for moderate income. The 75 basis point spread produces an 8.25 rate for moderate income right now. In the high cost areas we propose to maintain the rate differential, the 25 basis point rate differential that we have been using for some time now so that the low income rate currently in the high cost areas would be at 7.25 and for an AHPP loan 7 percent.

I'm going to skip, if you were following in the Board package. The HAT loan and CAP program discussion actually follows multifamily but I want to put it in here because the bulk of this activity tends to be -- and right off the bat I have an exception but quite a bit of what we're talking about is single family oriented. We have HAT Program support. You'll see in the Business Plan it's a little bit different from how we have done it in the past.

There is HAT Program support that we have specifically to either our single family or multifamily programs that is identified in the single and the multifamily program discussion. For instance, the Mortgage Assistance Program we just talked about is a specific single family program support use of our HAT funds. These HAT programs are multi-programmatic. They may be single or they may be multi or they may be a combination of the two.

As an example, the HELP Program, probably our most recent, innovative product on the street, is a loan to locality program where we do not dictate the program structure. What we say to the locality when we go out twice a year with our $10 million request for submissions -- and we're getting on average somewhere close to two-to-one requests for the amount that we put on the street. We are saying to the locality, you identify what is your housing priority, what public agency established that priority and what is this program that you are going to use this money for that directly produces affordable housing consistent with that local priority. That in a nutshell is the essence of the application that they have to submit to us.

It has been running about three-quarters support for multifamily, there have been some single family support proposals that have come in, but we have been fully subscribed on this program. We have put out $30 million to date on the program. It was originally conceived as a five year program; we are finishing the second year of it. The $30 million has been fully subscribed, we have another $10 million that we are in process of considering right now. It's over-subscribed so it will be fully utilized. So by June 30 we will have the $40 million that we had planned for the first two years fully utilized. We are proposing to just extend, to continue with the program for the full five year period of this Business Plan. Clark.

CHAIRMAN WALLACE: We've got a question. Mr. Mozilo.

MR. SCHERMERHORN: Yes, sir.

MR. MOZILO: Dick, two questions. One, what is driving the down payment issue? Is it FHA's three percent down requirement or the GSE's down payment requirement? Why is there a down payment requirement?

CHAIRMAN WALLACE: Why is there a down payment requirement?

MR. MOZILO: Yes. I asked you first. (Laughter).

MR. SCHERMERHORN: I was making sure I understood the question. 1 don't think anybody has asked it to me that way.

MR. MOZILO: Yes. Well, because you are having to give the subsidy for the down payment.

MR. SCHERMERHORN: Because the lending mechanisms, by and large on the street, are not 100 percent loans.

MR. MOZILO: That's it. What's driving it is outside of the Agency.

MR. SCHERMERHORN: Yes.

MR. MOZILO: The requirements outside of the Agency. Is there any effort being made, Dick, to work with the agencies on eliminating the down payment? You're absolutely right, the down payment is the biggest barrier that the low income borrower faces, by far. But there is no reason for a down payment. There is no justification for a three percent. It doesn't make the loan any better. I can tell you that from 50 years of doing this, it makes the loan no better. And 1 was wondering if there is any effort to try to get the guarantors, the FHA's and GSE's, to eliminate for this category of borrower, the down payment. Because we would be able to leverage those dollars a lot better if we're not in that category.

MR. SCHERMERHORN: Yes. We don't have any organized effort on our part other than what John has been trying to do from time to time from an insurance standpoint.

MR. MOZILO: Yes.

MR. SCHERMERHORN: But from a program standpoint, I mean, the reality is we're just not an impactive entity against an FHA or the commercial lenders.

MR. MOZILO: But the collection of the housing agencies are. I just would suggest that that might be an issue that would be raised by the association of the housing agencies. To raise that level of sensitivity. We have been trying to do this for years. We've been whittling it down. It used to be 20 percent, then it went to 10.

MR. SCHERMERHORN: Yes.

MR. MOZILO: Then 5, so we're getting there.

MR. SCHERMERHORN: Okay.

MR. MOZILO: But certainly I think it would be a worthwhile effort on the part of the association. And second, I just want a clarification on the Self Help. Is that a development loan to developers?

MR. SCHERMERHORN: That is a development loan to a nonprofit developer to help them get the land acquisition and the project organized. And then on the back end of it we make commitments on the take-out loan to that developer for qualified borrowers.

MR. MOZILO: Thank you.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: On the HELP Program and on the Mortgage Assistance Program, particularly the down payment assistance portion. Is the down payment assistance portion a loan to the borrower to help them get the money and when they resell do they pay us back that loan? Are we trying to help them get a start and create a revolving fund or is it a grant? And the same question applies to the HELP program.

MR. SCHERMERHORN: Okay. We don't do grants, it's a loan. In the case of the Mortgage Assistance it is a sleeping second until there is title transfer, then at title transfer the loan is required to be repaid. In the case of the HELP program it is a loan to the locality and we don't get involved in the security of whatever program they are doing. The security is the guarantee from the locality who is borrowing from us. They will repay the loan within the agreed upon time frame, no greater than ten years.

Our Small Business Development Program had in the previous couple of years a very low and almost non-existent level of activity. This past year it has suddenly increased. We won't make quite $2 million of development loan with compensating balance loans this fiscal year, we'll be over $1 million, but we have got over $3 million worth of applications working in the pipeline right now for this activity. They are small developers who are interested in getting into single--mostly single family but a couple of small multifamily concepts are on the table right now--or nonprofit entities involving small start-ups that are focused on producing affordable housing. It's a very encouraging trend that has occurred this past fiscal year and we continue to include it in the Business Plan as a recommendation to maintain a commitment for that particular activity.

So those are HAT programs that span single or multifamily activity that we are proposing. We are adding a new category of consideration, the Contract Assistance, because what we thought was going to be a one-time activity may turn out to be a growing pool of activity for the Agency to handle. We call these, CAP's, they're Contract Assistance. These are programs in which the monies for this are coming from some other source and the Agency is being contracted to administer the programs.

And in this case the School Fee Rebate Program is the most notable recent one for us to do. It was a $160 million appropriation for a four year period. The reason it looks like this is the program started halfway through that fiscal year on January 1 so we had to get adjustments to the program parameters and it will finish up now the end of this calendar year. The way the money is planned to be allocated: It was $20 million for the first year, which was a half year, and then it breaks out $40 million a year until this last fiscal year. And it breaks down between single and multifamily in these amounts. This is the amount that is available for these programs on an aggregating basis.

In single family there are three down payment assistance programs. For those of you not familiar with the School Fee Rebate Program the essence of this is the developers were concerned they couldn't produce affordable housing because of the school fees that they had to pay. Between a proposition, 1A, and'state legislation, SB-50, there was $160 million appropriated to be utilized as, in effect, a rebate back to those developments that were paying school fees.

Now, in single family there are three programs. The first two are what are generally referred to as the developer programs and those will rebate the school fees above the state mandated level, which is currently $2.05 a square foot. It requires school districts to do an analysis of their school fee needs and certify that with the state and those certified amounts are eligible for rebate. The program structure rebates the money direct to the borrower, not to the developer, in single family. So that what we have is a down payment assistance program, in effect, in which any lender in the state can have, with a qualified borrower, submits the requisite application to us. We cut a check that goes directly to the borrower's escrow account and it becomes monies that counts towards them for down payment purposes in that account.

The first program is for economically disadvantaged counties, there are 12 of them that meet the statutory definition. The second program is the $110,000 sales price limit program available statewide; and the third one is a first time home buyers program also available statewide. There were built-in problems with these, we discovered, as the program has been on the street for the last year and a half. The $110,000 sales price limit program is too low. The sales price is too much of a limit given what's happened the last year and a half.

And in the case of the first time home buyer program, what was mandated in the legislation was the use of HCD's low income requirements, which is an eight-step chart that is by family size, by county, low income. The problem is, with those two criteria in place in today's market those thresholds are too low to generate the level of activity that is going to use $160 million. We submitted proposals. We' met with all the affected parties, alerted them that this problem was clearly surfacing in our administration of the program. Recommendations have been made to the administration to make adjustments to this. To raise the sales price limit from $110,000 to $130,000 statewide and to adjust the income limits from low to moderate income limits for the first time home buyer program. Final decisions on that are pending.

But this is a contract administration program that we currently have in hand. What is being discussed, and as Terri mentioned at the outset of the presentation here, there are other programs being contemplated and some of them may be contracted to CHFA to administer. If so, we will be coming back to the Board for approval to do those and they will be reflected in our future Business Plan activity. Okay. With that, that's the Single Family And Other Program portion of our presentation. Ed.

MR. CZUKER: You didn't comment on the multifamily bottom line on that chart.

MR. SCHERMERHORN: I'm sorry.

MR. CZURER: Could you, perhaps, put it back up, please.

MR. SCHERMERHORN: Yes. I'm sorry. I meant to do that, too. The multifamily is a single program in which this is a direct rebate to developers. We have a formula that we zreated that for X amount of school fee rebate, if they want to get the rebate the development has to commit to dedicating an X number of units for incomes at 35 percent of median for 55 years. It started slow. We ran right into a problem that no one anticipated at the front end. There is a tax impact issue that if we rebate the money to the developer it becomes a taxable issue.

We spent some time working with developers and the attorneys on what is the best way to deal with this since it's a federal tax law issue there wasn't anything we could do about that. We finally fashioned a client-acceptable process that they can make a choice. They can either take the lump sum day one and deal with the tax issue themselves, or, two, we will make a long-term loan and they can deal with it. Either way they have got tax issues they have to deal with but they have a choice as to which way they deal with it.

And our activity is starting to perk up on multifamily as a result of that and we have been getting some projects here from market rate project developers who are coming in for the rebate and committing one to three, whatever the formula works out, whatever number of units, in what is otherwise not planned to be an affordable housing project. They are committing those units in those market rate projects for affordable housing purposes. So it's having a positive benefit there that we had hoped for but weren't sure it was really going to happen.

Okay, now we can move on to -- Are there are any other questions on single family or other programs? If not, let me see if I can get to you, John.

MR. SCHIENLE: Good morning, Mr. Chairman, Members of the Board. I'd like to segregate my short discussion into three parts. One is the new plan for the new five year plan, a comment on our past year's performance, and then show you some graphs which show CaHLIF in transition from the old to the new.

Our new plan calls for $1.9 billion over the next five years. Interesting that nearly all of the business will be 100 percent financing in some fashion. It's either a 97 with a 3 percent silent second or a 100 percent loan, or in the case of STRS, a 95 percent loan with a 5 percent silent second. So in almost every case we will have 100 percent financing through the entirety of the five year plan.

We are a self-renewing fund. We operate on the margin and try to extend the limits to which either the GSE's will lend and the lenders will facilitate and the rating agencies will permit us. Consequently, we have a continuation of what we have done in the past. If the

For the short discussion of the past. Even though we are not devoted completely to 100 percent financing in the past, nevertheless 82 percent of our loans in our portfolio have loan to values of 95 percent or greater. That market is just three percent of the total market so we're operating in a very small piece of the market with very low equity. Another 17 percent of our loans are in condominiums.

Over time we have shifted from being an exclusive CHFA lender to developing markets with the GSE's. The move in this past year has been more dramatic than ever, 85 percent of our last year's business has been with the GSE's. And you can see that in the chart that's up now. The spike upward in the most recent past two years has been the increased production in the GSE markets, Fannie and Freddie, and the CHFA business has been slowly declining over time.

(Ms. Carrie Hawkins exited the meeting room.)

Our business is for borrowers who have very low equity, the 100 percent lending, who have low credit scores. Those loans that the private mortgage insurance market doesn't want. And we do both by extending lower premium rates to the buyers. So we give them, in effect, again, on the margin, what the private market views as an inferior borrower, and provide insurance with lower rates.

Critical to anything we do is our loss management and our delinquency control. Given that we are operating on the margin it is critical to us to have a pattern of success. Once we stub our toe and prove that whatever we are doing on the margin will result in failure we are dead in the water. We can't derive new products, bring new products to the market. Consequently, because of our success we are able to extend our success into even more new markets with lower credit scores, lower equity and lower premiums. The two major controls over us are the rating agencies. If we stub our toe and show that a new type product is inferior, has a poor track record, the rating agencies will curtail our activity there. And forever we are trying to lead the GSE's into new territory because they are reluctant.

Finally, the graphs. The first one you just saw is our transfer of production from CHFA to GSE production. The second one is the resulting portfolio change which shows in our portfolio the accumulated, if you will, servicing portfolio on the top of our CHFA loans has hit its high point and is slacking off as loans are prepaid. Then on the bottom we are supplementing that with the loans that we're producing with the GSE's to date.

The last chart is the dynamic portion of all of this, which I think is fascinating in terms of what has happened. The lower line, starting actually higher at the beginning. All national mortgage insurers on a national basis, their loss ratio over time. The significance of that is that most of those losses have been in California. California has been a drag. It actually is the most significant piece of the loss ratio on a national basis for the mortgage insurers. Which over time now have been able to have the runoff of those loans and moved their national loss ratio from 70 down into the 'teens for 1999 and it's expected to drop a little bit lower next year.

The rating agencies are very concerned with two things for the private mortgage insurers. One is that because their loss ratio is so low their profit is so high that they have begun to be, and have been in the recent past, targets of opportunity for, particularly the GSE's who see the chance to take risks, and take premium from what the mortgage insurers would have had and had more profit. So there is that going on.

In addition the rating agencies are very concerned with high ratio lending and are, in effect because they are big brother to all the profitable agencies in watching what their trends might bring, are warning them that the loss of premium or the increased expenses they might have to give up to the GSE's plus the volatility of high ratio lending on top of the past experience in California, they're warning the MI's to hang tough. And I think the result of that will be is the MI's will not move as quickly as we would have thought into high ratio lending except for very high credit scores. That's one market they seem to be willing to accept.

The other line is ours, which is a California-only line. We started, and have completed a cycle now, of moving in from the 20 percent loss ratio up to 87 percent and now back to 20. That's a very sensitive ratio for us. We are in one state. Several markets within the state, but it can move dramatically for us, much more than for the national MI's. The corollary to that ratio, the loss ratio, really is our profit ratio. When we were at the highest of our loss ratio we were marginally profitable and now as that has moved down we are very profitable. Loss ratios are really a proxy for profit in our industry. That's the end of my comments. Are there any questions?

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: Probably this is my own ignorance but I note that 62 percent of the CaHLIF loans were for families below 80 percent of median income. I'm wondering, A, what the maximum income is, and B, where those other 38 percent are? And then secondly I also note that less than half of the loans were made to minorities and I wasn't sure if there was any specific targeting to communities to try to increase that ratio?

MR. SCHIENLE: All right. Our statutory limit is 140 percent, our practical limit is 120 percent. We try to stay at 120 percent wherever practical. We find that we can achieve the most production if we allow lenders to operate at a zero to 120 percent spread. But on the other hand, we have in the past coached the lenders that we want to do inner city lending. Major city, inner city lending. Then the derivative of that is minorities, lower incomes. And because we're offering lower credit scores and lower equity the other attributes follow. We find if we try to target -- We already are a niche insurer. If we can't allow lenders to produce loans they lose interest. We don't really offer a subsidy to the lender, we offer an otherwise uninsurable loan.

MS. PETERSON: So the answer to the first question is that the other 38 percent are somewhere between 80 and 120.

MR. SCHIENLE: Yes.

MS. PETERSON: And to the second is that we don't really target specifically to inner city areas.

MR. SCHIENLE: We do, yes.

MS. PETERSON: We must be doing some targeting to the high-cost counties.

MR. SCHIENLE: Yes.

MS. PETERSON: Because we have such a high percentage going there.

MR. SCHIENLE: That's right, we go toward high-cost counties and toward inner cities. That's how we describe what we would like lenders to be involved with.

MS. PETERSON: Thank you.

MS. PARKER: Jeanne, I think these programs are obviously in conjunction with our GSE's, Fannie in particular.

MS. PETERSON: Sure.

MS. PARKER: They're trying to go after those markets. And so I think what John is saying is that while we don't specifically go to minorities, indirectly because of how we have focused the program that is a group that is being served disproportionately. I think one of the things that we have talked internally about doing this Business Plan is looking at ways to continue to have John be successful in meeting his plan goals. We'll be talking about marketing activities that, in that sense, can further strengthen John's ability to have his program be known. Clearly, the more his program is known the more it is used and the more effective it is.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I had three questions. One is, when we were at 87 percent loss ratio what'was the average length of time that those loans had been outstanding where there was a loss incurred? The second was, it's showing that we have 17 percent of our loans in condominiums. Were a disproportionate amount of the losses in condominiums? And the third question is, there's a reference in the materials today that we are going to increase the percentage of condominium lending in order to penetrate the urban areas --

MR. SCHIENLE: Yes.

MR. KLEIN: -- because of affordability issues, which I clearly understand. How will this affect our future loss ratios?

MR. SCHIENLE: Let's see if I have them all. The typical peak loss period is about five years after origination and in this case the loans that defaulted for which we paid losses in 1997 were about five years old. We were kind of the garbage market for condos. There are a lot of FHA loans that would have been insured by the FHA but weren't approved projects and then we get the dropouts from there, really.

MR. KLEIN: And does that mean we --

MR. SCHIENLE: The condo market is volatile, but as long as it doesn't overwhelm us in terms of our total portfolio I'm not terribly afraid of it.

MR. KLEIN: Was there a significant disproportionality between the condo share of our portfolio and the percentage of losses?

MR. SCHIENLE: There is in terms of severity. The severity of loss in the condo market, which is more volatile, was greater than, about ten percentage points greater, than detached. So yes, it was greater. Currently going into the plan we, because of affordability, we would say that in many markets the only thing we can probably hope to insure would be condos.

MR. KLEIN: Yes.

CHAIRMAN WALLACE:' Any further questions? Okay, let's move on. Back to you, Dick, on multifamily.

MR. SCHERMERHORN: Last but not least let's discuss multifamily. Our mission is to make rental housing opportunities available for very low, low and moderate'income individuals and families. Our objectives are to maximize the public purpose benefit of these programs; to increase the affordable housing stock in California; to facilitate the preservation of affordable rental housing; and to address unmet needs.

Our strategies to do that include providing the lowest practical long-term fixed rate mortgage. We have the strategies trying to accomplish two things. One, we're trying to get the longest term of affordability on projects chat we finance in our portfolio; and two, we're trying to 3et the least amount of cost to the project for debt purposes so that we can maximize the amount of affordability in a project.

We are planning on continuing to provide both the interim and long-term financing vehicle for at-risk projects.

Continue, as an example today, the bridge loan financing to qualify projects for the four percent tax credits; and to maintain our special needs financing program; and to develop wholesale lending opportunities. I'll get to the specifics on those. Let's take a look at --

The way we are coming at this Business Plan, as I discussed with the Board at the last meeting, is to look at this in terms of retail and wholesale. In the retail area we are continuing our direct lending involvement with for-profit, nonprofit and government agencies. We're formalizing a wholesale approach to this, providing secondary market support in its broadest sense.

As noted in the narrative in here, it is too early to really identify a, quote, 'Five Year Plan" because this is formative. We have an immediate opportunity, we think. That's plugged into the first year. But this coming fiscal year we will make additional assessments and come back to the Board with additional ideas and recommendations regarding this area. Then the HAT program activity that is directly supportive of multifamily, the strategy here is that these loan funds are used to support our primary lending objectives in either of these categories.

Let's talk about this year. In the plan this year we had estimated maybe $70 million worth of new construction activity. This is what we got for commitments on it. A

809

couple of projects, 315 units. We have structured preservation to be inclusive of our interim financing program, our permanent financing for preservation, and the rehab program which addresses the broader definition of preservation as the Agency applies it, which is, the co-option of any existing unit for affordable housing purpose. Interim and permanent are more narrowly focused on just the at-risk projects that are out there.

So as you recall, after last year's Business Plan, last summer we came back to the Board about the interim financing program. Which we had met the industry and decided that this was a needed and workable vehicle for us. We took the $20 million that we had in the Business Plan and said, okay, here is where we would like to apply this, and we did. We got $24 million-plus of interim financing activity that the Board approved this past fiscal year and that is included by and large in the permanent amount. That's why I didn't double count this over here on units and projects.

But the combination of our interim and permanent financing for at-risk preservation purposes was for eight projects, 1430 units. Actually, we add to that today the $12,074,000 in permanent financing activity. Two of the three projects get added. This report does not include today's actions, so it's actually more like $126 million. And then we had one project that met our broader definition.

So in the aggregate what we ended up with--and then we have Special Needs. In the aggregate what happened was our activity, obviously, was heavily focused on preservation and rehab activity this past year. The absolute flip of what we thought we were going to when we started last spring.

It resulted in: Our goal was to do $126 million, to include $6 million in Special Needs. We only had one project surface. And this is subsidy amount, this is not the mortgage amount. We had this amount that we were doing here. We obviously have surpassed that, and today's added $12 million to this takes us to $167 million and change that the Board has committed final commitments on our multifamily Business Plan. Resulting in 14 projects now and nearly 2,000 units supported this fiscal year. Well, hang on. Okay.

What we're talking about for the Business Plan this coming year is starting at a $200 million level. And I will forewarn you right now. We have 17 projects in the pipeline requesting final commitment action at the July Board Meeting. All 17 may not make it. But it is likely we will have as many projects before you at the July meeting as you approved in totality this fiscal year. Plan your agendas accordingly.

The HAT loan activity. By the by, we are currently handling three special needs projects in the 17 that we're looking at for the upcoming meeting. And it will be a range. We have new construction, we have preservation and we have special needs in this package coming up.

HAT loans. We are basically proposing to reduce the amount of HAT loan monies that we're committing, in the multifamily program specifically. And the reason is, is what I was noting for earlier. Is that the template of restructuring on the at-risk deals that we're doing we have found that we can better utilize other existing resources to make those deals work. We will still have an ongoing need for bridge loan financing, for transition subsidy support, for state/local assistance, etcetera. But we don't foresee as high a level of need in this as we have the past year. So we're looking at doing at about a $20 million level.

This is the wholesale program. When we talked at the last meeting we were estimating the number. Where we are with this right now is we now have the portfolio list from Fannie Mae and that's why the number we now know is the maximum amount of the portfolio to be purchased would be $567 million. We don't have all the information from Fannie Mae yet. We don't have all of the information on their servicers, we don't have the loan expiration dates. They don't have this, apparently, on some single database that the people we're dealing with know about. They are aggregating this from their servicers, we expect to get this shortly. It will be instrumental, obviously, in calculating what we may or may not want to do.

We have contracted with Caine, Gressel and Slater, a firm that is uniquely qualified both as a financial and programmatic adviser, has extensive experience working with state and local agencies, and most recently has been working with the state of Washington on this very same thing. Although their level of activity is only around $50 million the issues are still the same. We just recently contracted them. We have had our first strategy sessions with them.

There is not much more to report at this point because CGS is going to give us, in the next 30 days an evaluation of what are the primary issues and options that the Agency should look at in pursuing this from a negotiations standpoint, from a financing standpoint, from a portfolio acquisition standpoint. There are, clearly, from our initial discussion with them, a range of approaches that we might consider.

If we do proceed, if it appears that there is a workable strategy or two -- And I'll tell you right now, I've talked to some of my counterparts in other state housing agencies who have been contemplating this. One eastern state has unsuccessfully attempted to negotiate with Fannie Mae on this and can't get them off of their premium pricing kick on selling the portfolio. The problem is that the premium pricing for that state agency is their cost of funds would be greater than what they can debt service off of the portfolio.

But they can't get Fannie Mae's attention to this issue. And we're hearing similar things from a couple of other state agencies who aren't quite as far in the process with Fannie as this particular agency was. We have hopes, however, of finding a workable solution to this and see if we can get there.

CHAIRMAN WALLACE: What's the likely timing on that, Dick?

MR. SCHERMERHORN: If it's going to work, we will have a full proposal to you at the July Board Meeting because we --

CHAIRMAN WALLACE: In addition to the 17?

MR. SCHERMERHORN: In addition to the plethora of projects that we will have for your consideration.

CHAIRMAN WALLACE: Schedule a two-day meeting. Bob.

MR. KLEIN: In the Caine, Gressel, Midgley, and Slater firm, CGMS, are you getting the benefit of the entire firm or just the west coast?

MR. SCHERMERHORN: From my standpoint, we're getting the benefit of whatever the information needs demand. We're dealing with their west coast component but I have --

MR. KLEIN: A lot of their financing --

MR. SCHERMERHORN: But their entire organization is involved in this in a couple of areas.

MR. KLEIN: Right. A lot of their financing expertise is out of their east coast offices.

MR. SCHERMERHORN: Yes, I know, Gene has been talking to them.:

MR. KLEIN: Okay.

CHAIRMAN WALLACE: Any other questions for Dick? Any? Okay, Dick.

MR. SCHERMERHORN: I think that just about did it.

CHAIRMAN WALLACE: Keep it rolling. It did, according to this.

MR. SCHERMERHORN: Yes, according to the blank slide that's true too.

CHAIRMAN WALLACE: Okay. What's --

MS. PARKER: Mr. Chairman, obviously the balance of the Business Plan goes through all of the activities of the support functions. Legal, Marketing, Administration, etcetera, all of that is laid out here. If you have some questions on the operational budget Jackie is here, all the staff are here. I think what we will clearly say again, if this activity materializes--particularly from the standpoint of the additional activity if some of these programs that are currently being considered by the Legislature materialize--we will be coming back not only to impact our production numbers but to talk about the administrative and staff resources needed to accomplish it.

I think, again, unless the Board Members are interested in going into the particular areas for which staff are here, this is the Business Plan that we have presented for your consideration.

CHAIRMAN WALLACE: And those areas are pretty well spelled out and not dissimilar to what we have seen heretofore.

MR. MOZILO: Mr. Chairman, I move the acceptance.

MR. CZUKER: I'd second.

CHAIRMAN WALLACE: Thank you. Any discussion on the motion to approve the Business Plan contained in Resolution 00-13? Yes, Jeanne.

MS. PETERSON: Just a short point. I'd like to commend the staff and the Executive Director for the Business Plan. And to say, particularly for the record, that the Treasurer's Office has over the course of the past year tried to educate itself to the workings of Housing Finance Agency here, and particularly was interested in seeing a couple of goals put forward which have to Bo with preservation and special needs. And so I just wanted to give a note of thanks that both of these have been recognized and that we hope that the goals will be met. Obviously the preservation program is working and is a wild success and it sounds as though the special needs is going to be a comer.

CHAIRMAN WALLACE: We've got three more special needs in July, which is about what we've done heretofore.

MS. PETERSON: It sounds like the whole fiscal plan and goals will be met after the July meeting.

MR. SCHERMERHORN: No, only half of it.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I would like to say that the staff has done a wonderful job in picking up the challenge, on multifamily in particular, which was an area that I tried to emphasize in the last two or three years. I am extremely appreciative of the tremendous effort. When I hear there's 17 projects in the pipeline for one meeting I know the staff has accepted a huge burden. It is an intensive work period that is greatly appreciated. The tremendous progress the staff has made in making multifamily an area where we can really perform at a very high level.

CHAIRMAN WALLACE: Thank you, Bob. Julie.

MS. BORNSTEIN: Thank you, Mr. Chairman. I would like to echo the thanks of everyone else and join with that to the staff. I would like to indicate that given the discussions under the state budget, as the Executive Director told you about, by the July meeting we ought to know exactly what the Legislature and the Governor are going to provide in the way of housing funds. It has been a pleasure for our department at HCD to work in partnership with this Agency and we look forward to working together to not only, perhaps, work even more aggressively on this five year plan but to carry out a number of other programs. But it's certainly a good start.

CHAIRMAN WALLACE: Thank you.

MS. PARKER: Mr. Chairman, at least one extra point, if I could, to indulge you for a moment. I think I just want to say, again, that we have reiterated. The staff have been working for a number of years trying to figure out something that would work in this preservation environment. I think no one is more excited about it than, really, us under Dick's leadership, of finding something that is responsive to the market. We have people who are essentially calling us. I think through trial and error we -- It wasn't stumbling across this. That we have actually found something that will work for us as long as it works within the market.

But I wanted to add to what my colleague, Julie, has said. To the extent that there are additional resources for housing that are provided in the budget, particularly to help with gap financing and making projects that wouldn't qualify otherwise, we may be able to see even more of an opportunity. And hopefully if the bond cap and tax credits increase that will even add more to the opportunities of what can essentially be accomplished Over this five year period.

CHAIRMAN WALLACE: Well said. Hearing and seeing no further discussion on the motion to approve the Five Year

Business Plan, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

(No response).

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-13 has been approved.

CHAIRMAN WALLACE: 00-13 has been approved.

RESOLUTION 00-14

Let's move on to the budget. Jackie is here and ready.

MS. RILEY: Good afternoon, Mr. Chairman and Board Members. There is very little else I can really add to this discussion. As you can all see we have a very aggressive

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Business Plan. Terri pretty well outlined that 75 percent of our increase in this year's budget are statutorily mandated increases. The rest are really for some additional positions that we need and some growing pains space. We have to have more space to accommodate more staff. If there's any questions I'd be glad to answer those.

CHAIRMAN WALLACE: What are you contemplating about the space situation?

MS. RILEY: Well, fortunately, we have space in Culver City. We are pretty much out of space -- we're taking on some new space in the Senator Hotel building. They still have some space available. We are at slightly over four years left on a firm term lease in that building. They are as cognizant as we are of our growing demands for space. There is some concern in the new ownership of the building that they really don't want us to get a whole lot larger there because when the time comes, probably, for us to leave we are their anchor tenant.

Since most of their leases are of a much smaller, two- to five-thousand square foot per client, that would leave them with a huge gap. So we have been talking about it. If that eventuality happens of us leaving, doing some kind of phasing out or something else. So we're starting to think about our additional space needs, even though it's four years prior to the actual happening.

CHAIRMAN WALLACE: And as I recall, we have very favorable rates on the bulk of our space.

MS. RILEY: Yes, we do.

CHAIRMAN WALLACE: So they're going to be happy to see it roll over.

MS. RILEY: Probably, yes. Although they like us quite well, we have been a great tenant for them.

CHAIRMAN WALLACE: Sure.

MS. PARKER: Well, at the moment there is some additional state office space that has been built around there that they actually lost tenants to.

MS. RILEY: Yes.

MS. PARKER: So there is a tremendous amount of competition around there.

CHAIRMAN WALLACE: Right.

MS. RILEY: There is.

CHAIRMAN WALLACE: Not too soon to start thinking about alternative space.

MS. RILEY: Oh no, we're keeping a close eye on what's going on in the area, what buildings are available and what the rents are. We're bird dogging it right now.

CHAIRMAN WALLACE: Okay. Yes, Bob.

MR. KLEIN: Mr. Chairman, in terms of that particular lease. Since we are such an important lease in that building, even though it is four years on the alternative, I take it we are going to see if we can get a long-term extension at favorable rates. The uncertainty factor of the landlord that if he renews the lease now with a known market, he might be better off at a substantial discount.

CHAIRMAN WALLACE: Somewhere in-between where we are now and where they are now, and that's a pretty good gap, I believe.

MS. RILEY: Yes.

CHAIRMAN WALLACE: Sometimes it's not a bad strategy.

MS. RILEY: Actually, that's what we did the last time around. We entered into an eight year lease with a two year optional renewal. Which we did pick up the option, we have done that early on before our lease expired. And that was at a point in time where there was a downturn in the economy and they were really glad to have us re-up at some very favorable rates, and that's really what we are enjoying right now.

CHAIRMAN WALLACE: At that time.

MS. RILEY: At that time.

CHAIRMAN WALLACE: They were thrilled to have us.

MS. RILEY: They were absolutely thrilled. Things have changed a little bit downtown.

CHAIRMAN WALLACE: Yes. Okay, any other questions for Jackie? There's finally some personnel budget improvements.

MS. RILEY: Yes, long overdue.

CHAIRMAN WALLACE: That's kind of been stacked up for most of the last decade.

MS. RILEY: Yes, absolutely. Some long overdue pay raises for our employees, and those are included. From last year and those anticipated in September of this year.

CHAIRMAN WALLACE: Which was tough. The '90's weren't easy up there.

MS. RILEY: No. Hopefully, we are seeing some effects of that in our recruitment efforts. Recruitment efforts are beginning to be a little easier for us too.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I didn't understand that comment. Certainly we need to aggressively increase our salary base for professionals if we can, because in the private sector that market, as you know, is red hot. So are we, in fact, fully utilizing our ability to stay competitive? What is the reference you just made? We had some increased ability to increase salary?

CHAIRMAN WALLACE: Yes, yes. There's more money, obviously, with the state surplus. Plus there was a backlog until, what, 'last year?

MS. RILEY: Yes. They were negotiated -- Most all of our employees are rank-and-file employees subject to contracts and those labor union contracts were approved last year. In this current fiscal year there was an increase of 9.5 percent for staff and coming up in September of this year there will be an additional 4 percent pay raise.

MS. PARKER: Bob, but I think where you're going. Jackie and I have also talked, and Jackie has actually just added a new person to her staff replacing a staff member we lost earlier in the year, to go through some of our classifications, particularly in the finance, accounting and home --

MS. RILEY: Underwriting.

MS. PARKER: Underwriting. To essentially look at those classifications and see whether or not they are competitive for recruitment purposes, given that our competition is the market. Which will require a full analysis through the State Personnel Board, Department of Personnel Administration, if we are able to get any adjustments to those classifications. But it is part of Jackie's work plan for the year and we will be ticking those classes off one by one to essentially deal with what we think we're going to be needing to do from a recruitment standpoint in order to be aggressive for the Business Plan.

MR. KLEIN: I appreciate that because I think we have a very exciting program going but with the economy out there drawing people out from the public sector we need to support our staff as aggressively as possible. As well in the exempt positions. I'm wondering if we have the ability to look at our exempt positions and support them to make sure that they are competitively compensated.

CHAIRMAN WALLACE: It's limited. It's tough, it is not easy. You're part of the big mix. You have got to get all this approved through the State Personnel Board and it's not easy.

MS. RILEY: Right, it's not easy.

CHAIRMAN WALLACE: And it's kind of everybody is thrown into a big pot and they move kind of -- We don't have the discretion to do merit pay in the light that you do when you are in private enterprise.

MS. RILEY: Well, for the past several years the Department of Personnel Administration is the entity that is responsible, really, for the contracts and for employee salaries. They really have not done any comparable salary surveys of what's going on in the marketplace, they really Eeel that collective bargaining is the tool that drives the salaries. That does in some of the areas. It isn't as good an indicator for our specific classifications.

MR. KLEIN: But when you go back to -- We have six or seven exempt positions. Is that what we have?

MS. RILEY: We have 11.

MR. KLEIN: Eleven exempt positions.
MS. RILEY: Yes.
MR. KLEIN: In those positions I can tell you. I know what the reality is today, but at the time this institution was launched it was clearly the intent to keep those competitive, given this is a self-supporting entity. And it was to be viewed distinctly differently in those increases and in the process for increases than agencies that were dependant on taxpayer dollars.
So I would hope that we make a special effort, and there are some people around that still have that history well in mind, to convey to the Governor's Office the message that those positions, if we're going to continue to accept the kinds of challenges that our staff has in moving the multifamily program forward, we have to keep the very best people we can, and attract the best people. We need to go back to that original philosophy of viewing ourselves separately because this is a self-supporting entity.
MS. PARKER: Mr. Chairman, I really --
CHAIRMAN WALLACE: We're going to put you in charge of that committee.
MS. PARKER: I appreciate, you know, and the staff out there are ready to line up behind you. I will say, one of the things that we're doing, we're in the process because there are so many new folks in Sacramento, of walking through

an educational process of how CHFA operates.

Bob, as you said, it is a very unique entity in state government. And for many people who are new to state government, who are beginning to have a sense of how it operates, when you then try explaining to them that CHFA is unique. I try not to use the word *independence* too much because that really sort of makes people really concerned. Because we are part of the Executive Branch. But that we are different from the standpoint that if we don't create business we have no role.

So we are going through a process of working with all of our new colleagues in state government, helping them understand what we do. Clearly it is helpful for us because there is a number of key people that serve on this Board and as we come along through that process and we need to -- if we see roadblocks we are going to be trying to pursue avenues to essentially accomplish them.

We are waiting to see whether or not with the new salary increases that we have and some of the more aggressive recruiting techniques, including the Internet, that administrative staff are using, that that's going to help us with our recruiting efforts. But if it's not we will go to the next tier of what we have to do in order to get the kind of people we need to do to make the Business Plan work. And we will keep all of you in reserve if we need you to make special cases.

CHAIRMAN WALLACE: But I will tell you, having headed another department at the state, you have got to be cautious how you go about this we're different, we're independent and so on. You can raise some hackles when you do that. I think you're handling it as discreetly as you can. While we're different we are sometimes viewed as being not so different too. So we have got to be a little bit careful and I think they are. Having said that, I recommend we approve the budget.

MR. CZUKER: So moved.

MS. BORNSTEIN: I so move. Second.

CHAIRMAN WALLACE: Ed and Julie. Any further discussion on the motion? Seeing and hearing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-14 has been approved.

CHAIRMAN WALLACE: Resolution 00-14 is hereby approved. Moving to Item 9.

OTHER BOARD MATTERS

Are there any other non-scheduled, not agendized items from the Board Members or the public? I have discreetly forgotten to ask for public input all day long, which is mostly CHFA input anyway. Any other items?

PUBLIC TESTIMONY

Seeing none, any members of the public, Item 10? Hearing and seeing none we will adjourn on a note of the next meeting being a three day meeting (laughter). We'll give you some advance notice but it is going to be a long meeting, there's no doubt about it. It's in Sacramento at the airport on July 13. I suggest you plan on spending most of the day there. I wouldn't try and schedule flights out much before five o'clock. We are hereby adjourned. Thank you very much. Good session, staff and Board.

(Thereupon the meeting was
adjourned at 12:30 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 125, and which recording was duly recorded at Burbank, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 11th day of May, 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 29th day of May, 2000, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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Executive Summary

Date: 26-Jun-00

Project Profile:

Project :	Longacres at Seabreeze	*Borrower:*	Chelsea Inv. Corp.	832
Location:	5720 Carmel Valley Rd.	*GP:*	Pac. SW Com. Dev.	
City:	San Diego	*LP:*	TBD	
County:	San Diego	*Program:*	Taxable	
Type:	Family	*CHFA # :*	00-002-S	

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$1,240,000	$32,632
CHFA Bridge	$0	$0
Master Developer's *Cash*	$216,833	*$5,706*
Other Loans	$0	$0
AHP Funds	$0	$0
Donated Land	$950,000	$25,000
Borrower's Contribution	$0	$0
Tax Credii Equity	$3,100,090	$81,581
CHFA Bridge	$0	$0
CHFA HAT-	i 0	$0

Loan to Value
26.4%

Loan to Cost
22.5%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2 BR	907	10	45%	$493	$21,758
3 BR	1127	4	45%	$567	$24,165
2 BR	907	7	50%	$553	$24,175
3 BR	1127	8	50%	$637	$26,850
2 BR	907	1	60%	$674	$29,010
2 BR	907	3	65%	$734	$31,428
3 BR	1127	4	65%	$846	$34,905
2 BR	907	1	Manager	$672	Market
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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Project Name: Longacres at Seabreeze Farms
CHFA Project # 00-002-S

SUMMARY:

This is a Final Commitment request for a taxable first mortgage in the amount of $1,240,000, amortized over 30 years at 8.25% interest. The project, Longacres at Seabreeze Farms, is a 38-unit new construction, family project located at 5720 Cannel Valley Road, San Diego, in San Diego County.

LOAN TERMS:	1st Mortgage
Loan Amount:	$1,240,000
Interest Rate:	8.25%
Tern: .	30 years
Financing:	Taxable

LOCALITY INVOLVEMENT:

Neither the City of San Diego, nor the Housing Authority of the County of San Diego have funds in the project; however, they do have occupancy restrictions imposed on the project as part of the Master Planned Community land use restrictions. Through a Master Affordable Housing Agreement and Declarations, Restrictions & Covenants, the project will be monitored by the Housing Authority and will be required to rent 20% of the units to families earning less than 65% of median income for fifty-five years.

PROJECT DESCRIPTION

This 38-unit project is part of a 185-lot subdivision and will be constructed in four, two-story buildings on 2.3 acres. There will be twenty-two, two-bedroom units averaging 907 square feet and sixteen, three-bedroom units averaging 1,127 square feet. There will also be a one-story community building with a central laundry area, a tot lot, and forty covered parking spaces and 39 open parking spaces. The project is within close proximity to shopping, parks, and schools.

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MARKET DEMAND:

The project's primary market area (PMA) is considered to be the community of Carmel Valley with an estimated population of 12,238. Within this community there are a total of 4,840 housing units, of which 75% are owner occupied single family residential, the remaining 25% are multifamily units. The majority of the housing development was completed by 1988. Demand for moderate priced rental housing is strong with average rents in San Diego County at $857 per month with a 99% occupancy rate. Rents have increased over 14.2% in the past year.

HOUSING SUPPLY:

There are approximately 1,013 rental units in the Carmel Valley area, with an average vacancy rate of less than 1%, and average rents of $1,183 per unit. With the surrounding housing being primarily upper end single family homes, Longacres at Seabreeze Farms will provide a much-needed affordable rental housing option. There is no new or proposed residential construction within the area.

Rent Differentials (Proposed **Rents vs. Market**)

Rent Level	Subject Property	Market Rate Avg.	Difference Btwn Market	Percent of Market
Two Bedroom				
45%	$493	$1,220	$727	40 %
50%	$553	$1,220	$667	45 %
60%	$674	$1,220	$546	55 %
65%	$734	$1,220	$534	60 %
Three Bedroom				
45%	$567	$1,500	$933	37 %
50%	$637	$1,500	$863	42 %
65%	$846	$1,500	$654	56 %

T . RESTRICTIONS:

CHFA: 20% of the units (8) will be restricted to 50% or less of median income.

City of San Diego: 20% of the units (8) will be restricted to 65% or less of median income.

TCAC:
37% of the units (14) will be restricted to 45% or less of median income.
40% of the units (15) will be restricted to 50% or less of median income
05% of the units (02) will be restricted to 60% or less of median income
18% of the units (07) will be restricted to 65% or less of median income

ENVIRONMENTAL:

The minimal findings of the Phase I-Environmental Assessment Report prepared by GEOCON in September 1998 were mitigated and a Mitigated Negative Declaration was recorded by the City of San Diego on September 14, 1999. The DUDEK & Associates, Inc. Acoustical Assessment report of January 26, 1999 findings have been addressed in the final design of the project.

ARTICLE 34:

The City of San Diego has adequate Article XXXIV authorization to accommodate this project. Evidence of a project specific allocation or a satisfactory opinion letter will be required prior to loan close.

DEVELOPMENT TEAM:

Borrower's profile: The project will be owned by Longacres at Seabreeze Farms, L.P., a California limited partnership in which Emerald Downs, LLC, a subsidiary of Chelsea Investment Corporation ("CIC"), is the developer and general partner, and Pacific Southwest Community Development Corporation (PSCDC) is the non-profit public benefit, managing general partner.

CIC provides consulting services and specializes in the development and management of affordable housing. With over 14 years experience in California and Arizona, CIC have assisted in the development of over 1,758 multifamily units. Most recently CIC was the co-developer with Kaufman & Broad Multi-Housing Group, Inc on two projects that created 572 new units in San Diego County. CIC is currently working with the Senior Community Centers of San Diego for the development of a 200-unit affordable senior housing development on Market Street in San Diego.

Pacific Southwest Community Development Corporation mission is to help resolve difficult housing and economic issues facing low-income persons and families in the southwestern United States. PSCDC works with all level's of government, lenders, other non-profit corporations and community leaders. PSCDC's governing board of directors are comprised of individuals representing a cross-section of social backgrounds and professions. Since 1996, PSCDC have co-developed 7 multifamily developments with over 1638 units.

Contractor: The **Borrower is** negotiating a construction contract with Centex Homes who is the master developer for the Seabreeze Farms Master Planned Community. Longacres at Seabreeze Farms meets the master developers inclusionary zoning affordable housing requirements.

Centex Homes is a national developer of single-family, commercial, and multifamily developments with earnings of $22.4 Million in 1999. Centex builds homes ranging in price from $54,000 to $1.1 million, with an average price of $185,700.

Architect: Architectural plans were prepared by William Hedenkamp. Hedenkamp & Associates Architecture & Planning bave been in existence for 24 years specializing in residential, commercial & industrial development. Hedenkamp has designed over 2,618 new multifamily units in southern California.

Management Agent: Chelsea Investment Corporation (Chelsea) plans on managing the subject property. Chelsea currently manage over 525 units with another 112 units coming on-line in July, 2000. Chelsea also has extensive tax credit property management experience and typically provide one-year on-site management of new properties while the non-profit housing sponsors train to take over the management of the developments.

Project Summary

Date: 26-Jun-00

Project Profile:

Project : Longacres at Seabreeze
Location: 5720 Cannel Valley Rd.
San Diego
County/Zip: **San Diego** 92130
Borrower: **Chelsea Inv. Corp.**
GP: Pac. SW Cam. Dev.
LP: TBD

Program: Taxable
CHFA #: 00-002-S

Appraiser: Dennis Cunningham
Cunningham 6 **Assoc.**
Cap Rate: 8.00%
Market: $ 4,700,000
Income: $ 4,680,000
Final Value: $ 4,700,000

LTC/LTV:
Loan/Cost 22.5%
Loan/Value 26.4%

Project Description:

Units	38
Handicap Units	1
Bldg. Type	New Conduction
Buildings	5
Stories	2
Gross Sq Ft	39,186
Land Sq Ft	100,188
Units/Acre	17
Total Parking	79
Covered Parking	40

Financing Summary:

CHFA First Mortgage	$1,240,000	$32,632	8.25%	30
CHFA Bridge	$0	$0	0.00%	
Master Developer's Cash	$216,833	$5,706	7.00%	
Other Loans	$0	$0	0.00%	
AHP Funds	$0	$0	0.00%	
Donated Land	$950,000	$25,000		
Borrower's Contribution	$0	$0		
Tax Credit Equity	$3,100,090	$81,581		
CHFA Bridge	$0	$0	0.00%	
CHFA HAT	$0	$0	0.00%	

Type	Size	Number	AMI	Rent	Max Income
2 BR	907	10	45%	$493	$21,758
3 BR	1127	4	45%	$567	$24,165
2 BR	907	7	50%	$553	$24,175
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2 BR	907	1	60%	$674	$29,010
2 BR	907	3	65%	$734	$31,428
3 BR	1,127	4	65%	$846	$34,905
2 BR	907	1	Manager	$672	Market
		38			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$12,400	Cash
Finance Fee	1.00%	of Loan Amount	$12,400	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$12,400	Letter of Credit
Rent Up Account	15%	of Gross Income	$41,917	Letter of Credit
Operating Expense Reserve	10%	of Gross Income	$27,944	Letter of Credit
Marketing	10%	of Gross Income	$27,944	Letter of Credit
Annual Replacement Reserve Deposit	0.6%	of Hard Costs	$13,602	Operations
Construction Defects Security Agreement	2.50%	of Hard Costs	$56,675	Letter of Credit

Sources and Uses Longacres at Seabreeze

SOURCES:

Name of ***Lender / Source***	Amount	$ per unit
CHFA First Mortgage	1,240,000	32,632
CHFA Bridge	0	0
CHFA HAT	0	0
Master Developer's Cash	216,833	5,706
Donated Land	950,000	25,000
Other Loans	0	0
Total Institutional Financing	**2,406,833**	
Equity Financing		
Deferred Developers Fee	0	*0*
Borrower's Contribution		
Tax Credit Equity	3,100,090	81,581
Total Equity Financing	**3,100,090**	**81,581**
TOTAL SOURCES	6,508,923	144,919

USES:

Acquisition	955,000	25,132
Rehabilitation	0	0
New Construction	2,589,366	68,141
Architectual Fees	80,000	2,105
Survey and Engineering	20,000	526
Const. Loan Interest & Fees	182,058	4,791
Permanent Financing Fees	29,800	784
Legal Fees	48,600	1,279
Resewes	97,805	2,574
Contract Costs	20,000	526
Construction Contingency	321,271	8,454
Local Fees	9,500	250
TCAC/Other Costs	756,450	19,907
PROJECT COSTS	**5,109,850**	134,470
Developer Overhead/Profit	397,073	10,449
Consultant/Processing Agent	0	0
TOTAL USES	**5,506,923**	144,919

Annual Operating Budget — Longacres at Seabreeze

		$ per unit
INCOME:		
Total Rental Income	277,164	7,294
Laundry	2,280	60
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	279,444	7,354
Less:		
Vacancy Loss	13,972	368
Total Net Revenue	265,472	6,986
EXPENSES:		
Payroll	25,158	662
Administrative	22,024	580
Utilities	18,749	493
Operating and Maintenance	23,270	612
Insurance and Business Taxes	7,861	207
Taxes and Assessments	31,630	832
Reserve for Replacement Deposits	13,602	358
Subtotal Operating Expenses	142,293	3,745
Financial Expenses		
Mortgage Payments (1st loan)	111,788	2,942
Total Financial	111,788	2,942
Total Project Expenses	254,082	6,686

Cash Flow Longacres at Seabreeze CHFA # 00-002-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
65% TCAC Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
65% TCAC Rents	75,096	76,973	78,898	80,870	82,892	84,964	87,088	89,266	91,497	93,785
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	202,068	207,120	212,298	217,605	223,045	228,621	234,337	240,195	246,200	252,355
TOTAL RENTAL INCOME	277,164	284,093	291,195	298,475	305,937	313,586	321,425	329,461	337,697	346,140
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	2,280	2,337	2,395	2,455	2,517	2,580	2,644	2,710	2,778	2,847
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	2,280	2,337	2,395	2,455	2,517	2,580	2,644	2,710	2,778	2,847
GROSS INCOME	279,444	286,430	293,591	300,931	308,454	316,165	324,069	332,171	340,475	348,987
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	13,972	14,322	14,680	15,047	15,423	15,808	16,203	16,609	17,024	17,449
EFFECTIVE GROSS INCOME	265,472	272,109	278,911	285,884	293,031	300,357	307,866	315,563	323,452	331,538
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	97,061	100,944	104,982	109,181	113,548	118,090	122,814	127,726	132,835	138,149
Replacement Reserve	13,602	13,602	13,602	13,602	13,602	14,282	14,282	14,282	14,282	14,282
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	31,630	32,263	32,908	33,566	34,237	34,922	35,621	36,333	37,060	37,801
TOTAL EXPENSES	142,293	146,808	151,491	156,349	161,387	167,294	172,716	178,341	184,177	190,232
NET OPERATING INCOME	123,178	125,300	127,420	129,535	131,644	133,063	135,150	137,221	139,275	141,306
DEBT SERVICE										
CHFA - 1st Mortgage	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan	0	0	0	0	0					
CASH FLOW after debt servic	11,390	13,512	15,631	17,747	19,855	21,274	23,361	25,433	27,486	29,518
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.18	1.19	1.21	1.23	1.25	1.26

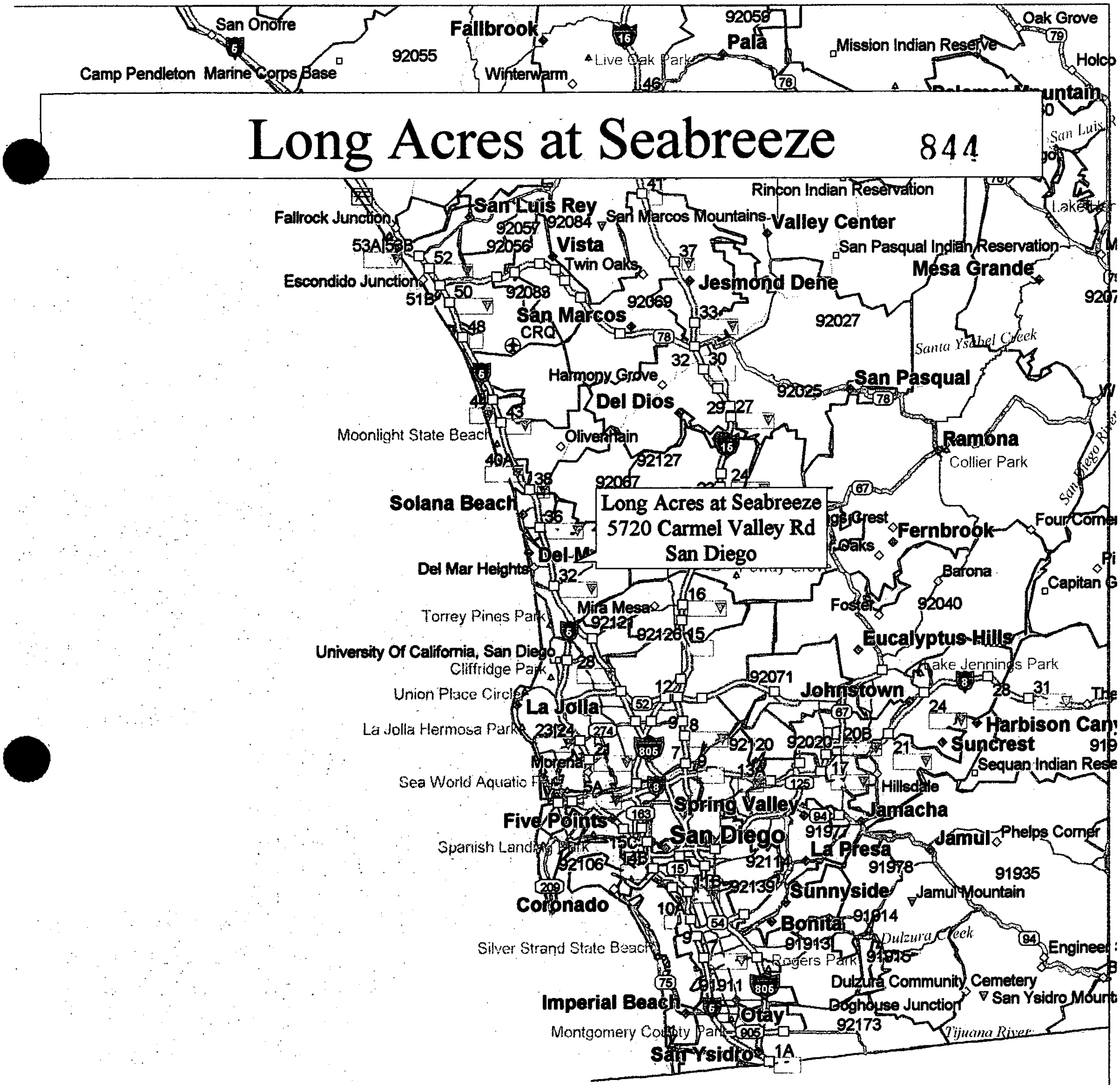
Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
65% TCAC Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
65% TCAC Rents	96,129	98,532	100,996	103,521	106,109	108,761	111,480	114,267	117,124	120,052
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	258,664	265,131	271,759	278,553	285,517	292,655	299,971	307,470	315,157	323,036
TOTAL RENTAL INCOME	**354,793**	**363,663**	**372,755**	**382,074**	**391,626**	**401,416**	**411,452**	**421,738**	**432,281**	**443,088**
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	2,919	2,992	3,066	3,143	3,222	3,302	3,385	3,469	3,556	3,645
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**2,919**	**2,992**	**3,066**	**3,143**	**3,222**	**3,302**	**3,385**	**3,469**	**3,556**	**3,645**
GROSS INCOME	**357,712**	**366,655**	**375,821**	**385,217**	**394,847**	**404,718**	**414,836**	**425,207**	**435,837**	**446,733**
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	17,886	18,333	18,791	19,261	19,742	20,236	20,742	21,260	21,792	22,337
EFFECTIVE GROSS INCOME	**339,826**	**348,322**	**357,030**	**365,956**	**375,105**	**384,482**	**394,094**	**403,947**	**414,045**	**424,397**
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	143,675	149,422	155,399	161,614	168,079	174,802	181,794	189,066	196,629	204,494
Replacement Reserve	14,996	14,996	14,996	14,996	14,996	15,746	15,746	15,746	15,746	15,746
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	38,557	39,328	40,114	40,917	41,735	42,570	43,421	44,290	45,175	46,079
TOTAL EXPENSES	**197,228**	**203,746**	**210,509**	**217,527**	**224,810**	**233,118**	**240,961**	**249,102**	**257,550**	**266,319**
NET OPERATING INCOME	**142,599**	**144,576**	**146,521**	**148,428**	**150,294**	**151,364**	**153,133**	**154,845**	**156,495**	**158,078**
DEBT SERVICE										
CHFA - 1st Mortgage	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt servic	**30,810**	**32,788**	**34,732**	**36,640**	**38,506**	**39,576**	**41,345**	**43,057**	**44,707**	**46,289**
DEBT COVERAGE RATIO	**1.28**	**1.29**	**1.31**	**1.33**	**1.34**	**1.35**	**1.37**	**1.39**	**1.40**	**1.41**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
65% TCAC Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
65% TCAC Rents	123,054	126,130	129,283	132,515	135,828	139,224	142,704	146,272	149,929	153,677
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	331,112	339,390	347,874	356,571	365,486	374,623	383,988	393,588	403,428	413,513
TOTAL RENTAL INCOME	454,166	465,520	477,158	489,087	501,314	513,847	526,693	539,860	553,357	567,190
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	3,736	3,829	3,925	4,023	4,124	4,227	4,333	4,441	4,552	4,666
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	3,736	3,829	3,925	4,023	4,124	4,227	4,333	4,441	4,552	4,666
GROSS INCOME	457,902	469,349	481,083	493,110	505,438	518,074	531,025	544,301	557,909	571,856
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	22,895	23,467	24,054	24,655	25,272	25,904	26,551	27,215	27,895	28,593
EFFECTIVE GROSS INCOME	435,006	445,882	457,029	468,454	480,166	492,170	504,474	517,086	530,013	543,263
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	212,674	221,181	230,028	239,229	248,798	258,750	269,100	279,864	291,059	302,701
Replacement Reserve	16,533	16,533	16,533	16,533	16,533	17,360	17,360	17,360	17,360	17,360
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	47,001	47,941	48,899	49,877	50,875	51,892	52,930	53,989	55,069	56,170
TOTAL EXPENSES	276,207	285,654	295,460	305,639	316,206	328,002	339,390	351,213	363,487	376,231
NET OPERATING INCOME	158,799	160,227	161,568	162,815	163,960	164,168	165,084	165,873	166,526	167,033
DEBT SERVICE										
CHFA - 1st Mortgage	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788	111,788
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt servic	47,011	48,439	49,780	51,026	52,171	52,379	53,296	54,085	54,738	55,244
DEBT COVERAGE RATIO	1.42	1.43	1.45	1.46	1.47	1.47	1.48	1.48	1.49	1.49

Long Acres at Seabreeze 844



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10 Miles

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Major Connector	Small Town
State Route	Geographic Feature
Primary State Route	Park/Reservation
Interstate/Limited Access	Exit/Gas
Toll Highway	Exit/Lodging
Rest Area with facilities	Exit/Food
Exit	Mega City
PointofInterest	Locale

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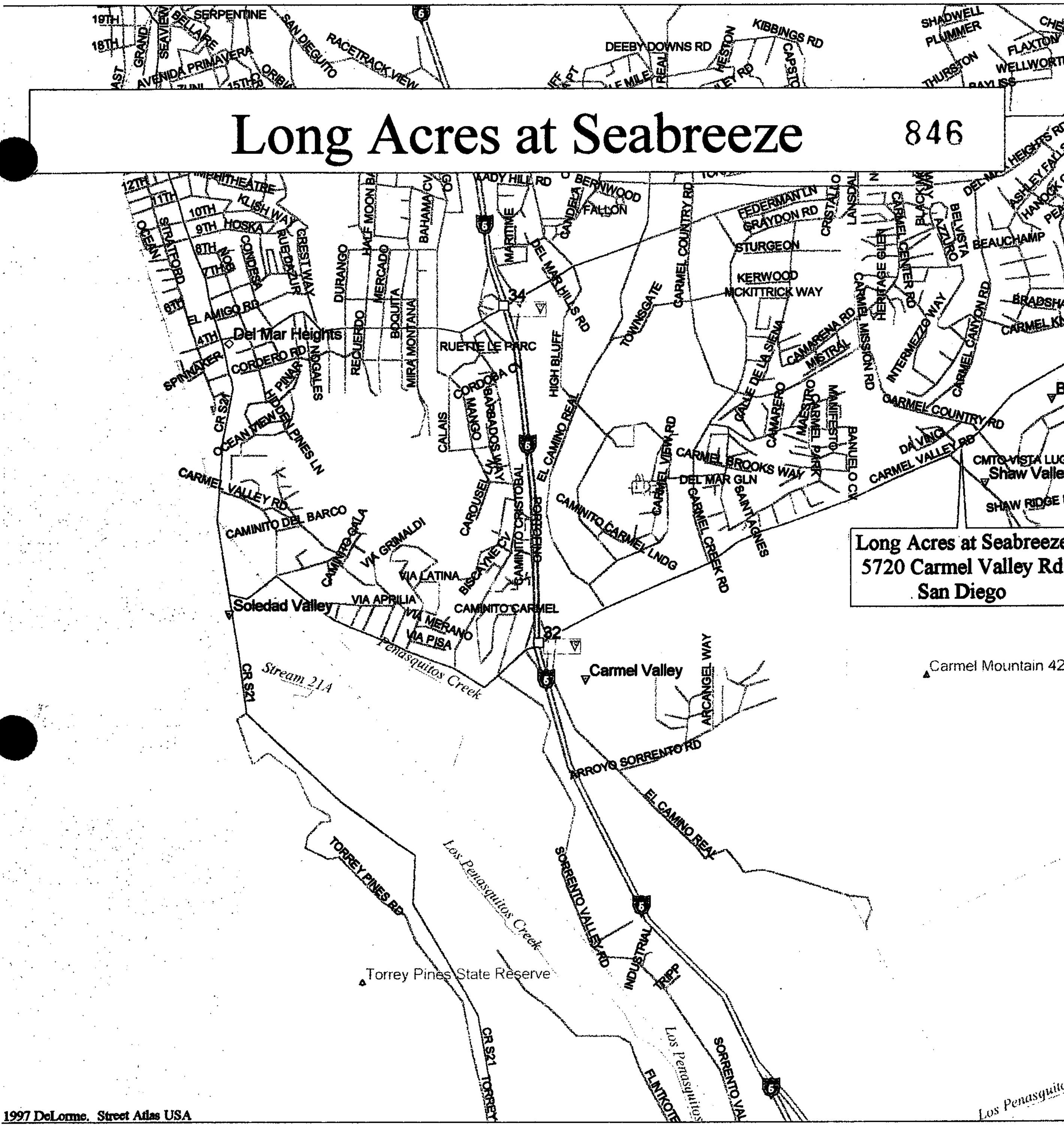
Long Acres at Seabreeze 846



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	Major Connector		Park/Reservation
	Interstate/Limited Access		Exit/Gas
	Exit		Exit/Lodging
	Utility/Pipe		Exit/Food
	Railroad	O	Locale
	Small Town		Water
	Summit		Woodland

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RESOLUTION 00-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Longacres at Seabreeze Farms, L.P., a California limited partnership (the "Borrower") seeking a loan commitment under the Agency's Taxable Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan for a development to be known as Longacres at Seabreeze Farms (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 26, 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 taxable bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on November 25, 1997, 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 terns 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
00-002-S	Longacres at Seabreeze Farms San Diego/San Diego	38	$1,240,000

Resolution **00-15**
Page **2**

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

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

I hereby certify that this **is** a true **and** correct copy of Resolution 00-15 adopted at a duly constituted meeting of the Board of the Agency held on July **13,** 2000, at Sacramento, California.

ATTEST:_______________
Secretary

Executive Summary

Date: 06/26/00

Project Profile:

Project :	Tice Oaks	*Borrower:*	TBD
Location:	2150 Tice Valley Blvd.	*Member*	MP Preservation Inc.
City:	Walnut Creek	*Member*	TBD
County:	Contra Costa	*Program:*	Tax-Exempt
Type:	Senior	*CHFA # :*	00-015-N

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$2,475,000	$27,198
CHFA Second Mongage	$2,540,000	$6,593
HOME (Contra costa)	$600,000	$6,593
CDBG (Walnut Creek)	$604,000	$6,637
Tax Credit Equity	$2,310,599	$25,391
Reserve Money for Rehab	$766,185	$8,420
Transfer of Bal. of Repl. Reserve	$200,000	$2,198
CHFA Bridge Loan	$0	$0
CHFA HAT Loan	$0	$0

Loan to Value
Loan to Value 30.2%

Loan to Cost
26.1%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	613	32	30%	$415	$15,505
1 BR	613	36	50%	$633	$22,150
1 BR	613	22	60%	$712	$26,580
1 BR	613	1	Manager	$712	N/A
		91			

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Project Name: Tice Oaks
CHFA Project #00-015-N

SUMMARY:

This is a Final Commitment request for a tax-exempt first mortgage in the amount of $2,475,000 amortized over 30 years at 6.20% and a tax-exempt second loan of $2,540,000 amortized over 11 years at 6.20%. Tice Oaks is a 91-unit elderly project located at 2150 Tice Valley Boulevard, Walnut Creek, in Contra Costa County.

LOAN TERMS:	1st MORTGAGE	2nd MORTGAGE
Loan Amount	$2,475,000	$2,540,000
Interest Rate:	6.20%	6.20%
Term:	30 years	11 years
Financing:	Tax Exempt	Tax Exempt

LOCALITY INVOLVEMENT:

The City of Walnut Creek will be providing a 30- year, $604,000 residual receipts loan to the project. The Contra Costa County HOME loan program will be providing a 30-year, $600,000 residual receipts loan.

SECTION 8 CONTRACT.

Current Status: The property is currently owned by a for-profit partnership and encumbered by a CHFA loan with an existing Section 8 contract that expires in 2011. There is also an existing City of Walnut Creek affordability restriction on the property that expires in one year. The CHFA loan will be paid off through this transaction and the Section 8 contract will be assigned to the new borrower. The transfer of the property to a non-profit partnership at this time allows for a new tax-exempt mortgage to extend the affordability of the project another 19 years with Section 8 rents through 2011 and tax credit, locality and CHFA affordable rents through year 2030.

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Conversion Scenario: The Borrower will seek renewals of all Section 8 HAP contracts or the equivalent project-based subsidies for their full term and through out the project's useful life. When the Section 8 subsidy expires, the project will operate under a mix of locality, CHFA and tax credit rents, all with income restrictions at 30%, 50% & 60% of median income. A transition operating account will be required to subsidize the project costs if required during the transition from Section 8 to non-subsidized rents. Funding of the Transition Operating Account (the "Account") is contemplated as follows:

- The Account will be initially funded with $100,000 cash from the Project's existing reserve accounts maintained by CHFA.
- Additional annual Account deposits totaling approximately $275,000 will be made from the Project's cash flow from the date of loan closing and continuing until the expiration of all HUD subsidies.
- Account funds will be used to cover any approved operating expense shortfall and will be maintained for the benefit of the project and through the life of the CHFA loan pursuant to the provisions of a CHFA approved transition plan.

PROJECT DESCRIPTION:

This 19-year old project has five, one and two-story buildings with a total of 90 one-bedroom units and 1 two-bedroom manager's unit. This elderly project has five different one-bedroom floor plans with an average unit size of 600 feet. In addition to the extensive landscaping, there is a community room with a kitchen, a small hair salon & exercise room, a central laundry room and 42 on-site parking spaces.

PROPOSED REHABILITATION:

Tice Oaks is currently in good condition requiring relatively minor rehabilitation work. The proposed scope of work is based on the physical needs assessment prepared by ESRI, Inc. on behalf of Mid-Peninsula Housing Corporation, and a Physical Needs Assessment ("PNA") prepared by Catherine Dolf & Associates on June 5, 2000. The proposed scope of rehabilitation incorporates the areas of concern identified in these reports and will be partially funded by existing replacement reserves beld by CHFA. The major rehab components include the following:

- exterior painting and sealing
- new kitchen cabinets
- new smoke detectors
- parking area repairs
- landscape improvements
- re-roof & sealing of wood shingles
- replacement of fencing
- new faucet & shower valves
- replacement of some heating & A/C units

RELOCATION:

Given the minimal scope of work, relocation is not anticipated. The Agency will require compliance with any and all applicable provisions of the Uniform Relocation Act.

MARKET DEMAND:

Walnut Creek is the fourth largest populated city in Contra Costa County with a current population of 80,400 and a mean household income of $81,440, which is above the county average income of $79,000. The high demand for rental housing in Walnut Creek is reflected by the low vacancy rates currently averaging 3.44%. Developments with high rents in the surrounding neighborhoods are experiencing vacancy rates of 3% to 5%.

Rent Differentials (Market vs. Restricted Subject Rents)

Rent Level	Subject	Section 8	Market	Dif. Btwn Market	96 of Market
One Bedroom					
30% rents	$415	$813	$925	$510	44%
50% rents	$633	$813	$925	$292	68 %
60% rents	$712	$813	$ 925	$ 213	76 %

HOUSING SUPPLY:

The existing housing stock in Walnut Creek is 68% owner occupied and 32% renter occupied. Within the immediate neighborhood, 51% of the households earn under $50,000 year. Home buying is unaffordable for two thirds of the population in Contra Costa County wanting to buy in Walnut Creek because the average home price is $338,698. There are currently two market rate apartment projects in the planning stage that will provide 336 new rental units in Walnut Creek.

OCCUPANCY RESTRICTIONS:

CHFA:	20% of units (19) restricted to 50% of median income.
City of Walnut Creek	35% of the units (32) restricted to 30% of median income. 40% of the units (36) restricted to 50% of median income. 25% of the units (23) restricted to 60% of median income.
County of Walnut Creek	11 units restricted to 30% or less of median income.

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TCAC: 35% of the units (32) restricted to 30% of median income.
40% of the units (36) restricted to 50% of median income.
25% of the units (23) restricted to 60% of median income.

Note: The rent levels represent those submitted for approval in the project's CDLAC application which will be monitored by TCAC.

ENVIRONMENTAL

A Phase I report is not required as this project is currently in CHFA's loan portfolio. Lead-based paint and asbestos inspection reports have been ordered. Any recommendations from these reports will be incorporated into the final scope of work and will be a condition of the final commitment.

ARTICLE 34:

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

DEVELOPMENT TEAM

Borrower's Profile: The Borrower will be MP Tice Associates, a yet to be formed California Limited Partnership with MP Preservation, Inc., a subsidiary of Mid-Peninsula Housing Corporation, a California public benefit corporation, ("MPHC) as the sole general partner. The tax credit equity investor has not yet been identified.

Contractor: MPHC will be soliciting bids from eligible contractors in the near future. Contractor to be determined. Construction cost estimates were made by the Borrower and reviewed by the Agency.

Architect: Given the limited scope of rehabilitation, an architect will not be required.

Management Agent: Lexington Associates, Inc. will continue to manage Tice Oaks after transfer of ownership to the Borrower. Lexington Associates, Inc. bas over 20 years of affordable housing management experience and currently manage over 977 units in 12 rental projects.

Project Summary

Date: 26-Jun-00

Project Profile:

Project :	Tice Oaks	*Appraiser:*	Kathrine Sturgis-Bright	
Location:	2150 Tice Valley Blvd.		Property Valuation	
	Walnut Creek	*Cap Rate:*		7.50%
County/Zip:	Contra Costa 94595	*Market:*	$	8,125,000
Borrower:	TBD	*Income:*	$	8,200,000
GP	MP Preservation Inc.	*Final Value:*	$	8,200,000
LP	TBD			
		LTC/LTV:		
Program:	Tax-Exempt	*Loan/Cost*		26.1%
CHFA # :	00-015-N	*Loan/Value*		30.2%

Project Description:

units	91
Handicap Units	0
Bldge	Acq./Rehab
Buildings	5
Stories	1 & 2
Gross Sq Ft	59,285
Land Sq Ft	117.176
Units/Acre	34
Total Parking	42
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$2,475,000	$27,198	6.20%	30
CHFA Second Mortgage	$2,540,000	$27,912	6.20%	11
CDBG (Walnut Creek)	$604,000	36.637	0.00%	30
HOME (Contra Costa)	$600,000	36,593	0.00%	30
Tax Credit Equity	$2,310,599	$25,391	0.00%	
Transfer of Bal. of Repl. Reserve	$200,000	$2,198	0.00%	
Reserve Money for Rehab	$766,185	$8,420	0.00%	
CHFA Bridge Loan	$0	$0	0.00%	-
CHFA HAT Loan	$ 0	$0	0.00%	-

[redacted]

Type					
1 BR	613	32	30%	$415	$15,505
1 BR	613	36	50%	$633	$22,150
1 BR	613	22	60%	$712	$26.580
1 BR	613	1	Manager	$712	N/A
		91			

[redacted]

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.25%	of Loan Amount	$62,688	Cash
Finance Fee	1.25%	of Loan Amount	$62,688	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$50,150	Cash or LOC
Rent Up Account	0.00%	of Gross Income	$0	Cash
Operating Expense Reserve	10.00%	of Gross Income	$94,164	cash or LOC
Marketing	0.00%	of Gross Income	$0	cash
Annual Replacement Reserve Deposit	$300	per Unit	$33,115	Operations
Initial Deposit to Replacement Reserve			$100,000	cash
Transition Operating Reserve			$290,000	Cashflow
Initial Deposit to Transition Reserve			$100,000	Cash

Sources and Uses — Tice Oaks

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA First Mortgage	2,475,000	27,198
CHFA Second Mortgage	2,540,000	27,912
CDBG *(Walnut* Creek)	604,000	6,637
HOME (Contra Costa)	600,000	6,593
Reserve Money for Rehab	766,185	8,420
Reserve money for Reserves	200,000	2,198
Total Institutional Financing	7,185,185	78,958
Equity Financing		
Tax Credit Equity	2,310,599	25,391
Contributions From Operations	-	0
Developer's Equity	-	0
Total Equity Financing	2,310,599	25,391
TOTAL SOURCES	9,495,784	104,349

USES:

Acquisition	7,537,500	82,830
Rehabilitation	764,400	8,400
New Construction	0	0
Architectual Fees	15,000	165
Survey and Engineering	50,000	549
Const. Loan Interest & Fees	0	0
Permanent Financing	127,875	1,405
Legal Fees	10,500	115
Reserves	344,314	3,784
contract costs	7,500	82
Construction Contingency	94,700	1,041
Local Fees	7,100	78
TCAC/Other Costs	103,758	1,140
PROJECT COSTS	**9,062,647**	**99,590**
Developer Overhead / Profit	413,137	4,540
Project Administration	20,000	220
Other	0	
TOTAL USES	**9,495,784**	**104,349**

Annual Operating Budget Tice Oak

		% of total	$ per unit
INCOME:			
Total Rental Income	937,272	99.596	10,300
Laundry	4,368	0.5%	48
Other Income	0	0.0%	
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	941,640	100.0%	10,348
Less:			
Vacancy Loss	47,082	5.096	517
Total Net Revenue	894,558	95.0%	9,830
EXPENSES:			
Payroll	97,300	19.5%	1,069
Administrative	77,803	15.6%	855
Utilities	24,275	4.9%	267
Operating and Maintenance	64,375	12.9%	707
Insurance and Business Taxes	19,900	4.0%	219
Taxes and Assessments	1,384	0.3%	15
Reserve for Replacement Deposits	33,215	6.6%	365
Subtotal Operating Expenses	318,252	63.6%	3,497
Financial Expenses			
Mongage Payments (1st loan)	181,903	36.4%	1,999
Total Financial	181,903	36.4%	1,999
Total Project Expenses	500,155	100.0%	5,496

Cash Flow — Tice Oaks — CHFA # 00-015-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
HAP Rent Increase	*1.79%*	*1.79%*	*1.79%*	*1.79%*	*1.79%*	*1.79%*	*1.79%*	*1.79%*	*1.79%*	*1.79%*
HAP Surplus	307,944	313,595	319,208	324,922	330,738	336,658	342,684	348,818	355,062	361,418
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	629,328	645,061	661,188	677,717	694,660	712,027	729,828	748,073	766,775	785,944
TOTAL RENTAL INCOME	937,272	958,656	980,396	1,002,639	1,025,398	1,048,685	1,072,512	1,096,891	1,121,837	1,147,362
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	4,368	4,477	4,589	4,704	4,821	4,942	5,066	5,192	5,322	5,455
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	4,368	4,477	4,589	4,704	4,821	4,942	5,066	5,192	5,322	5,455
GROSS INCOME	941,640	963,133	984,985	1,007,343	1,030,220	1,053,627	1,077,577	1,102,083	1,127,159	1,152,817
Vacancy Rate : HAP	*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	47,082	48,157	49,249	50,367	51,511	52,681	53,879	55,104	56,358	57,641
EFFECTIVE GROSS INCOME	894,558	914,977	935,736	956,976	978,709	1,000,946	1,023,698	1,046,979	1,070,801	1,095,177
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	284,037	295,398	307,214	319,503	332,283	345,574	359,397	373,773	388,724	404,273
Replacement Reserve	33,215	33,215	33,215	33,215	33,215	34,876	34,876	34,876	34,876	34,876
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	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
TOTAL EXPENSES	318,252	329,633	341,470	353,779	366,580	381,554	395,399	409,798	424,772	440,344
NET OPERATING INCOME	576,306	585,343	594,266	603,197	612,128	619,391	628,299	637,182	646,030	654,833
DEBT SERVICE A										
CHFA - 1st Mortgage $2,475,000	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903
CHFA - 2nd Mortgage $2,540,000	319,104	319,104	319,104	319,104	319,104	319,104	319,104	319,104	319,104	319,104
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	75,299	84,336	93,259	102,190	111,121	118,384	127,292	136,174	145,022	153,825
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.20	1.22	1.24	1.25	1.27	1.29	1.31
PYMT To Transition Account	15,000	20,000	20,000	25,000	30,000	30,000	35,000	35,000	40,000	40,000
CASH FLOW TO BORROWER	60,299	64,336	73,259	77,190	81,121	88,384	92,292	101,174	105,022	113,825
INITIAL DEP. TO TRANS. ACCT.	100,000									
INTEREST EARNED 4.5%	0	120,175	146,483	173,975	207,928	248,635	291,174	340,852	392,765	452,239
BAL. OF TRANSITION ACCT.	115,000	140,175	166,483	198,975	237,928	278,635	326,174	375,852	432,765	492,239

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
HAP Rent Increase	1.79%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
HAP Surplus	367,887	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	805,593	825,733	846,376	867,536	889,224	911,455	934,241	957,597	981,537	1,006,075
TOTAL RENTAL INCOME	1,173,480	825,733	846,376	867,536	889,224	911,455	934,241	957,597	981,537	1,006,075
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	5,591	5,731	5,874	6,021	6,172	6,326	6,484	6,646	6,813	6,983
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	5,591	5,731	5,874	6,021	6,172	6,326	6,484	6,646	6,813	6,983
GROSS INCOME	1,179,071	831,464	852,251	873,557	895,396	917,781	940,725	964,243	988,350	1,013,058
Vacancy Rate : HAP	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	58,954	41,573	42,613	43,678	44,770	45,889	47,036	48,212	49,417	50,653
EFFECTIVE GROSS INCOME	1,120,118	789,891	809,638	829,879	850,626	871,892	893,689	916,031	938,932	962,405
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	420,444	437,262	454,752	472,942	491,860	511,534	531,996	553,276	575,407	598,423
Replacement Reserve	36,620	36,620	36,620	36,620	36,620	38,451	38,451	38,451	38,451	38,451
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	1,219	1,243	1,268	1,294	1,319	1,346	1,373	1,400	1,428	1,457
TOTAL EXPENSES	458,283	475,125	492,640	510,855	529,799	551,331	571,819	593,126	615,285	638,330
NET OPERATING INCOME	661,835	314,766	316,998	319,024	320,827	320,561	321,870	322,905	323,647	324,075
DEBT SERVICE A										
CHFA - 1st Mortgage $2,475,000	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903
CHFA - 2nd Mortgage $2,540,000	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	479,932	132,863	135,095	137,120	138,924	138,658	139,967	141,002	141,743	142,172
DEBT COVERAGE RATIO	3.64	1.73	1.74	1.75	1.76	1.76	1.77	1.78	1.78	1.78
PYMT To Transition Account	0									
CASH FLOW TO BORROWER	479,932									
INITIAL DEP. TO TRANS. ACC										
INTEREST EARNED	514,390									
BAL. OF TRANSITION ACCT.	514,390									

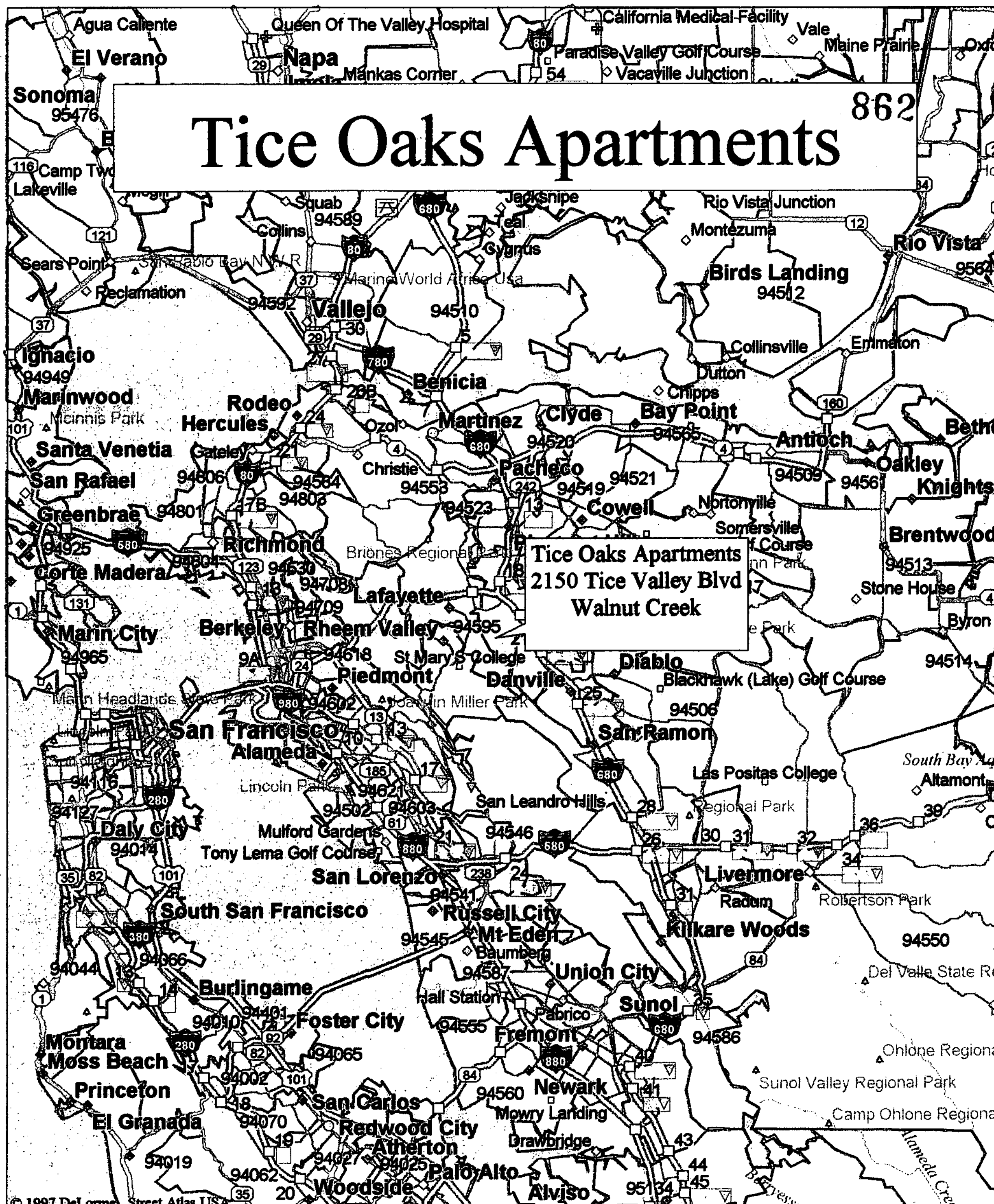
Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
HAP Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
HAP Surplus	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	1,031,227	1,057,008	1,083,433	1,110,519	1,138,282	1,166,739	1,195,907	1,225,805	1,256,450	1,287,861
TOTAL RENTAL INCOME	1,031,227	1,057,008	1,083,433	1,110,519	1,138,282	1,166,739	1,195,907	1,225,805	1,256,450	1,287,861
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	7,157	7,336	7,520	7,708	7,901	8,098	8,300	8,508	8,721	8,939
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	7,157	7,336	7,520	7,708	7,901	8,098	8,300	8,508	8,721	8,939
GROSS INCOME	1,038,385	1,064,344	1,090,953	1,118,227	1,146,182	1,174,837	1,204,208	1,234,313	1,265,171	1,296,800
Vacancy Rate : HAP	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	51,919	53,217	54,548	55,911	57,309	58,742	60,210	61,716	63,259	64,840
EFFECTIVE GROSS INCOME	986,465	1,011,127	1,036,405	1,062,315	1,088,873	1,116,095	1,143,998	1,172,597	1,201,912	1,231,960
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	622,360	647,254	673,144	700,070	728,073	757,196	787,484	818,983	851,742	885,812
Replacement Reserve	40,373	40,373	40,373	40,373	40,373	42,392	42,392	42,392	42,392	42,392
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	1,486	1,516	1,546	1,577	1,608	1,641	1,673	1,707	1,741	1,776
TOTAL EXPENSES	664,219	689,143	715,063	742,020	770,054	801,228	831,549	863,082	895,875	929,980
NET OPERATING INCOME	322,247	321,984	321,342	320,295	318,819	314,867	312,449	309,516	306,037	301,981
DEBT SERVICE A										
CHFA - 1st Mortgage $2,475,000	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903	181,903
CHFA - 2nd Mortgage $2,540,000	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	140,343	140,081	139,439	138,392	136,916	132,964	130,545	127,613	124,134	120,077
DEBT COVERAGE RATIO	1.77	1.77	1.77	1.76	1.75	1.73	1.72	1.70	1.68	1.66

PYMT To Transition Account
CASH FLOW TO BORROWER
INITIAL DEP. TO TRANS. ACC'
INTEREST EARNED
BAL. OF TRANSITION ACCT.

862

Tice Oaks Apartments



Mag 10.00
Wed Jun 28 13:17 2000
Scale 1:500,000 (*at* center)

1 0 Miles

10 KM

Major Connector
State Route
Primary State Route
Ferry
Interstate/Limited Access
Toll Highway
O U S Highway
Rest Area with facilities
Exit
Point of Interest

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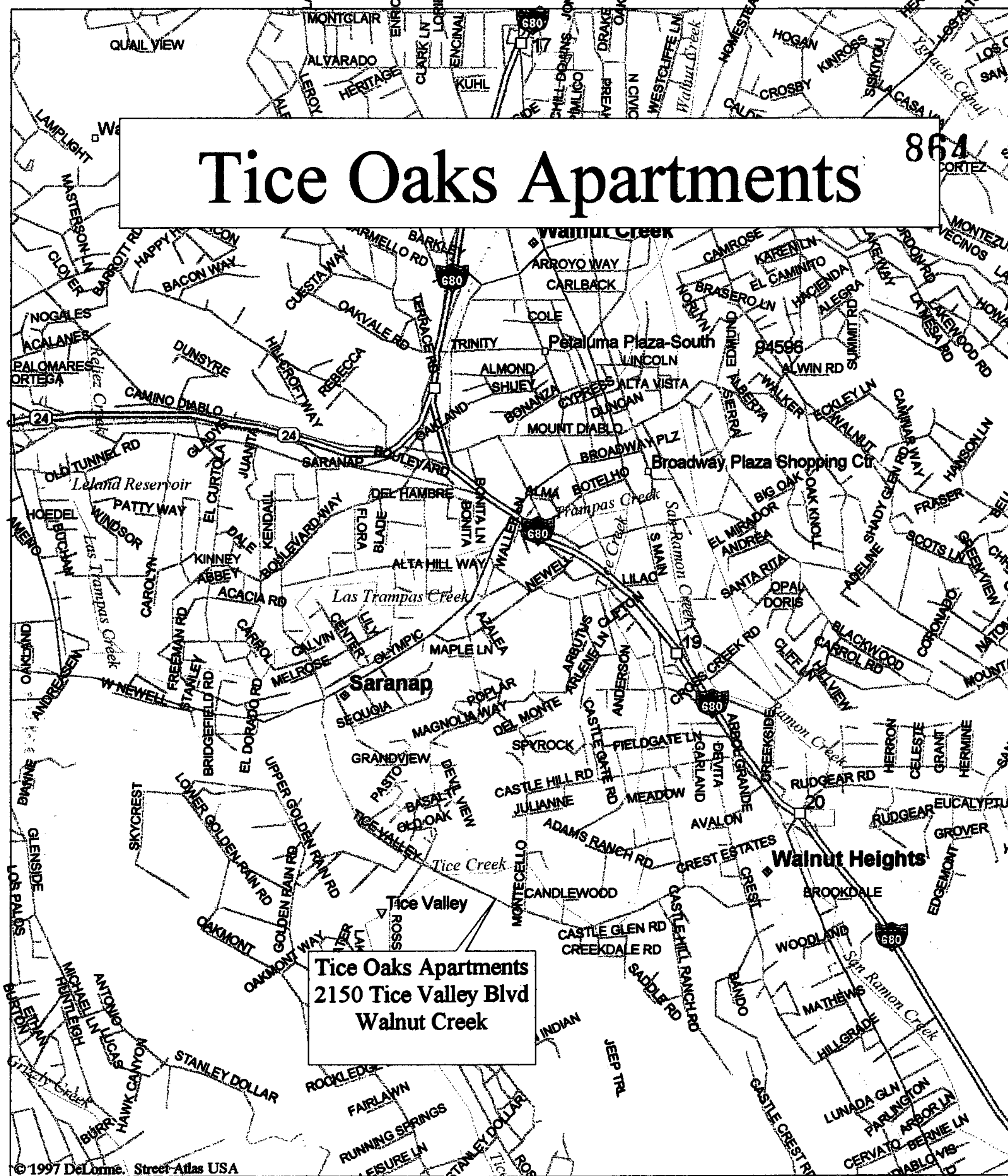
Tice Oaks Apartments

864



Mag 14.00
Wed Jun 28 12:54 2000
Scale 1:31,250 (at center)

2000 Feet

1000 Meters

Local Road	Railroad
Major Connector	Point of Interest
Trail	Small Town
Interstate/Limited Access	Geographic Feature
Exit	Exit/Gas

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RESOLUTION 00-16

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Mid-Peninsula Housing Coalition, 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 91-unit multifamily housing development located in the City of Walnut Creek to be known as Tice Oaks Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 26, 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
00-015-N	Tice Oaks Apartments Walnut Creek/Contra Costa	91	$2,475,000 $2,540,000

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 mount 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 00-16 adopted at a duly constituted meeting of the Board of the Agency held on July 13, 2000, at Sacramento, California.

ATTEST:______________
Secretary

Executive Summary

Date: 26-Jun-00

Project Profile:

Project :	Cascade Apts.	*Borrower:*	AF Evans Co.
Location:	7600 Fruitridge Ave	GP:	TBD
City:	Sacramento	*LP:*	Lend Lease
County:	Sacramento	*Program:*	Tax Exempt
Type:	Family	*CHFA# :*	00-008-N

Financing Summary

Permanent	Final	Per Unit
CHFA First Mortgage	2,025,000	$27,365
CHFA Bridge	$70,000	$946
HCD Loan	$1,000,000	$13,514
Developers Cash	$0	$0
Deferred Developer Equity	$0	$0
Tax Credit Equity	$1,538,094	$20,785

Loan to Value
72.3%
Loan to Cost
44.4%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	600	10	50%	$479	$21,150
2 BR	720	4	50%	$553	$23,800
1 BR	600	42	60%	$479	$25,380
2 BR	720	17	60%	$553	$28,560
2 BR	720	1	Manager	$553	$0
		74			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Project Name: Cascade Apartments
CHFA Project # 00-008-N

SUMMARY:

This is a Final Commitment request for a tax-exempt first mortgage in the amount of $2,025,000, amortized over 30 years at *6.20%* interest, and a one-year, tax-exempt bridge loan in the amount of $70,000, at *6.20%* interest. The project, Cascade Apartments, a 74-unit, family project is located at 7600 Fruitridge Avenue, Sacramento, in Sacramento County.

LOAN TERMS:	1^{st} Mortgage	2^{nd} Mortgage
Loan Amount:	$2,025,000	$ 70,000
Interest Rate:	*6.20%*	*6.20%*
Term:	30 years	1 Year
Financing:	Tax Exempt	Tax Exempt

GOVERNMENT INVOLVEMENT:

The Department of Housing & Community Development's Multifamily Housing Program has committed a $1,000,000 loan, at 3% interest, payable with residual receipts for fifty-five years.

SECTION 8 CONTRACT:

Current Status: The 74-unit Cascade Apartment project has 73 project based Section 8 units with a *HAP* contract that expires March 31, 2001. There is currently a two-year waiting list for the Section 8 units.

Conversion Scenario: Upon expiration of the *HAP* contract, the majority of residents would be likely to remain a mix of Section 8 and tax credit tenants for several years (or longer), depending on the rate of turnover. Given the uncertainty of the HAP contracts continuing after expiration, staff is requiring a standby operating reserve to subsidize project costs in the event the tenant profile changes from Section 8 to a traditional tax-exempt bond / tax credit rent structure. Funding of this Standby Operating Account will come from excess project cash and up to $450,000 in Agency funds subject to the terms and conditions established by the Agency. The following scenario is contemplated.

- The Standby Operating Account will be established by depositing $100,000 from project cash flow.
- The Agency will provide a $450,000 Standby Operating Commitment to cover approved operating shortfalls, which will be drawn from on an "As Needed" basis at 3% interest.
- The Standby Operating Account must be maintained for the benefit of the project until all units have transitioned to Agency approved affordable rents or as otherwise approved by the Agency.

PROJECT DESCRIPTION:

This 74-unit gated community was built in 1965 on an irregular 2.5-acre parcel. There are 6 one and two-story buildings with 52 one-bedroom units measuring approximately 600 square feet and 22 two bedroom units measuring approximately 720 square feet. There are central laundry areas, a tot lot, and 79 open parking spaces. The project is within close proximity to several restaurants, shopping, parks, schools, churches, and fire and police stations.

PROPOSED REHABILITATION:

The current rehabilitation budget is estimated to be $1,260,000 with the following primary components to be addressed:

- New 30-year asphalt shingle roof
- Carports
- Addition of 2 Trash Enclosures
- Relocation of Mail Boxes
- Replacement of some patio surrounds
- Replacement of some skylights
- upgrade A/C in all units
- Repair sidewalks
- Addition of dishwashers
- Installation of new light fixtures
- Upgrade signage and lighting
- Landscaping Improvements
- Addition of gated Pool and Spa
- Addition of BBQ area near pool
- Addition of 150 s.f. storage shed
- insulation of all attic spaces
- Install new playground equipment
- Repair and reseal the parking lot
- Repair/upgrade cabinets & countertops

RELOCATION:

Minimal relocation is planned as the rehabilitation will occur as tenants vacate the units. Once units are rehabbed, the existing tenants will be relocated into the newly renovated units. The Agency will require compliance with any and all applicable provisions of the Uniform Relocation Act.

MARKETDEMAND:

The project's primary market area (PMA) is considered to be within a one-mile radius of the site where 68% of the population have an average household income below $35,000 per year. The PMA estimated population is 8,265, with projected population in 2003 of 8,643. With single family home prices averaging $110,000, the proposed rents will provide the PMA population with an affordable housing option. As of April 2000, CB Richard Ellis estimates the PMA vacancy rates average 1.5% for the South Sacramento Area. Based on the unit rents and amenities, the project should be able to sustain a 97% occupancy rate once rehabilitation is complete. Based on current market conditions rents are expected to increase moderately over the next 12 months.

HOUSING SUPPLY:

The project is located in a mixed-use area with the majority of the surrounding apartment complexes ranging in age from 13 to 40 years old. According to the County and City Planning Departments, no new complexes are planned in the subject's immediate neighborhood. Since the PMA has experienced a decrease in vacancy rates, an increase in waiting lists, and an increase in rents in the apartment market over the past few years, the emphasis is currently on apartment renovation and rehabilitation.

Rent Differentials (Proposed Rents vs. Section 8 vs. Market)

Rent Level	section 8 Rents	CHFA Rents	Market Rate Avg.	Amount of Difference	Percentage Difference
One bedroom					
50%	$590	$479	$525	$46	91%
60%	$590	$479	$525	$46	91%
Two bedroom					
50%	$657	$553	$625	$72	88%
60%	$684	$553	$625	$72	88%

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (14) will be restricted to 50% or less of median income.
HCD:	100% of the units (74) will be restricted to 60% or less of median income.
TCAC:	100% of the units (74) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

Both the Phase I-Environmental Assessment Report prepared by PIERS Environmental Services, Inc. in December 1999. The physical needs assessment performed by EMG, Inc. on April 25, 2000 recommended rehabilitation that has been incorporated in the proposed scope of work. Asbestos and Lead-Based Paint inspection reports have been ordered. Any recommendations from these reports will be incorporated into the final scope of work and will be a condition of the final commitment.

ARTICLE 34:

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

DEVELOPMENT TEAM:

Borrower's profile: A.F. Evans Company, Inc. will be the general partner of a yet to be formed limited partnership with Lend Lease as the tax credit equity limited partner investor. As of January 2000, A.F. Evans Company has over 23 years of experience and has completed over 5,150 units with an additional 979 units under construction and 841 units in design.

Contractor: The Borrower is negotiating a contract with Precision General Contractor, Inc. ("Precision") who has provided the scope of work estimates on the project. Precision is a national construction company with offices in Texas, Missouri & California. Precision specializes in construction and rehabilitation of apartment building, including affordable housing. To date they have served as the general contractor on 19 projects with a total of 28,000 units and they are currently the general contractor on 3 affordable housing rehabilitation projects in California.

Architect: The scope of rehabilitation does not warrant a supervising architect so A.F. Evans will supervise the work. Mogavero Notestine is the architectural firm selected to design the pool and landscaping.

Management Agent: Evans Property Management, Inc., a subsidiary of A.F. Evans Company, will manage the project. Evans Property Management currently manages over 30 projects with over 4900 units. Included in this number are 8 CHFA funded projects with a total of 723 units.

Project Summary

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Date: 26-Jun-00

Project Profile:

Project :	Cascade Apts.	*Appraiser:*		Timothy Wright, MAI	
Location:	7600 Fruitridge Ave			Palmer, Groth & Pietka	
	Sacramento	*Cap Rate:*		9.00%	
County/Zip:	Sacramento	*As-Is Value*	$	2,550,000	
Borrower:	AF Evans Co.	*After Rehab*	$	2,800,000	
GP:	TBD	*Final Value:*	$	2,800,000	
LP:	Lend Lease				
		LTC/LTV:			
Program:	Tax Exempt	*Loan/Cost*		44.4%	
CHFA #:	00-008-N	*Loan/Value*		72.3%	

Project Description:

Units	74
Handicap Units	2
Bldge Type	Acq/Rehab
Buildings	6
stories	2 & 3
Gross Sq Ft	48,414
Land Sq Ft	111,078
Units/Acre	29
Total Parking	79
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
Permanent				
CHFA First Mortgage	2,025,000	$27,365	6.20%	30
CHFA Bridge	$70,000	$946	6.20%	1
Contributions From Operations	$0	$0	0.00%	
Tax Credit Equity	$1,538,094	$20,785	0.00%	
Developers Cash	$0	$0	0.00%	
Deferred Developer Equity	$0	-	0.00%	
HCD Loan	1,000,000	$13,514	3.00%	55

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	600	10	50%	$479	$21,150
2BR	720	4	50%	$553	$23,800
1 BR	600	42	60%	$479	$25,380
2BR	720	17	60%	$553	$28,560
2BR	720	1	Manager	$553	$0
		74			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	security
Commitment Fee	1.25%	of Loan Amount	$25,813	Cash
Finance Fee	1.25%	of Loan Amount	$25,313	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$20,950	Letter of Credit
Rent up Account	2.50%	of Gross Income	$11,956	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$47,825	Letter of credit
Marketing	2.50%	of Gross Income	$13,710	Letter of credit
Annual Replacement Reserve Deposit	$307	Per Unit	$22,718	Operations
Initial Deposit to Repl. Res.		Lump sum	$37,000	Cash
Transition Reserve		Lump Sum	$100,000	cash Flow
standby Operating Reserve			$450,000	Agency Funds

Sources and Uses

Cascade Apts.

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SOURCES:

Name of Lender / Source	Permanent Tax-Exempt	Per unit
CHFA First Mortgage	2,025,000	27,365
CHFA Bridge	-	0
HCD Loan	1,000,000	13,514
Contributions From Operations	-	0
Total Institutional *Financing*	3,025,000	40,878
Equity Financing		
Tax Credits	1,538,094	20,785
Developers Cash	0	0
Deferred Developer Equity	0	0
Total Equity *Financing*	1,538,094	20,786
TOTAL SOURCES	**4,563,094**	61,663

USES:

Acquisition	2,520,000	0
Rehabilitation	1,284,999	17,365
New Construction	0	0
Architectual Fees	68,750	929
Survey and Engineering	28,750	389
Const. Loan Interest & Fees	49,842	674
Permanent Financing	70,465	952
Legal Fees	20,000	270
Reserves	114,491	1,547
Contract Costs	10,900	147
Construction Contingency	170,100	2,299
Local Fees	30,000	405
TCAC/Other Costs	92,606	1,251
PROJECT COSTS	**$4,460,903**	60,282
Developer Overhead Admin Fee	102,191	1381
Consultant/Processing Agent	$0	0
TOTAL USES	**$4,563,094**	**61,663**

Annual Operating Budget Cascade Apts.

		% of total	$ per unit
INCOME:			
Total Rental Income	644,848	99.4%	7,363
Laundry	3,552	0.6%	48
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**548,400**	**100.0%**	**7,411**
Ltss:			
Vacancy Loss	12,710	2.3%	172
Total Net Revenue	**535,690**	**97.7%**	7,299
EXPENSES:			
Payroll	72,592	17.7%	981
Administrative	31,707	7.7%	428
Utilities	44,840	10.9%	606
Operating and Maintenance	30,899	7.5%	418
Insurance and Business Taxes	6,032	1.5%	82
Taxes and Assessments	51,915	12.7%	702
Reserve for Replacement Deposits	22,710	5.5%	307
Subtotal Operating Expenses	260,703	**63.7%**	**3,523**
Financial Expenses			
Mortgage Payments (1st loan)	148,830	36.3%	2,011
Total **Financial**	148,830	**36.3%**	2,011
Total Project **Expenses**	**409,533**	**100.0%**	**5,534**

Cash Flow Cascade Apts.

	2000	[illegible]	2002	2003	2004	2005	2006	2007	2008	2009
Sec. 8 Increase	*1.50%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	99,960	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*1.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	444,888	451,561	462,850	474,422	486,282	498,439	510,900	523,673	536,765	550,184
TOTAL RENTAL INCOME	**544,848**	**451,561**	**462,850**	**474,422**	**486,282**	**498,439**	**510,900**	**523,673**	**536,765**	**550,184**
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	3,552	3,641	3,732	3,825	3,921	4,019	4,119	4,222	4,328	4,436
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**3,552**	**3,641**	**3,732**	**3,825**	**3,921**	**4,019**	**4,119**	**4,222**	**4,328**	**4,436**
GROSS INCOME	**548,400**	**455,202**	**466,582**	**478,247**	**490,203**	**502,458**	**515,019**	**527,895**	**541,092**	**554,620**
Vacancy Rate : Sec 8	*1.50%*									
Vacancy Rate : Affordable	*2.50%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Less: Vacancy Loss	12,710	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
		22,760	23,329	23,912	24,510	25,123	25,751	26,395	27,055	27,731
EFFECTIVE GROSS INCOME	**535,690**	**432,442**	**443,253**	**454,334**	**465,693**	**477,335**	**489,268**	**501,500**	**51[illegible],038**	**526,889**
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	209,570	217,953	226,671	235,738	245,167	254,974	265,173	275,780	286,811	298,283
Replacement Reserve	22,718	22,718	22,718	22,718	22,718	23,854	23,854	23,854	23,854	23,854
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	28,415	28,983	29,563	30,154	30,757	31,372	32,000	32,640	33,293	33,959
TOTAL EXPENSES	**260,703**	**269,654**	**278,952**	**288,610**	**298,642**	**310,200**	**321,027**	**332,273**	**34[illegible]57**	**356,096**
NET OPERATING INCOME	**274,987**	**162,788**	**164,301**	**165,725**	**167,050**	**167,135**	**168,242**	**169,227**	**170,080**	**170,793**
DEBT SERVICE										
CHFA - 1st Mortgage	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830
CHFA - Bridge	74,340									
CASH FLOW after debt service	**126,157**	**13,958**	**15,471**	**16,895**	**18,220**	**18,305**	**19,412**	**20,397**	**21,[illegible]50**	**21,963**
Transition Reserve	**100,000**									
Cumulative Reserve Bal.	**100,000**									
DEBT COVERAGE RATIO	**1.11**	**1.09**	**1.10**	**1.11**	**1.12**	**1.12**	**1.13**	**1.14**	**1.14**	**1.15**
Net Residual Cashflow	**26,157**	**13,958**	**15,471**	**16,895**	**18,220**	**18,305**	**19,412**	[illegible]	[illegible]	[illegible]

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Cash Flow

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	0	0	0	0	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	563,938	578,037	592,488	607,300	622,482	638,044	653,995	670,345	687,104	704,282
TOTAL RENTAL INCOME	**563,938**	**578,037**	**592,488**	**607,300**	**622,482**	**638,044**	**653,995**	**670,345**	**687,104**	**704,282**
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	4,547	4,661	4,777	4,896	5,019	5,144	5,273	5,405	5,540	5,678
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**4,547**	**4,661**	**4,777**	**4,896**	**5,019**	**5,144**	**5,273**	**5,405**	**5,540**	**5,678**
GROSS INCOME	**568,485**	**582,697**	**597,265**	**612,196**	**627,501**	**643,189**	**659,268**	**675,750**	**692,644**	**709,960**
Vacancy Rate : Sec 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	28,424	29,135	29,863	30,610	31,375	32,159	32,963	33,788	34,632	35,498
EFFECTIVE GROSS INCOME	**540,061**	**553,562**	**567,401**	**581,586**	**596,126**	**611,029**	**626,305**	**641,963**	**658,012**	**674,462**
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	310,215	322,623	335,528	348,949	362,907	377,424	392,520	408,221	424,550	441,532
Replacement Reserve	25,047	25,047	25,047	25,047	25,047	26,299	26,299	26,299	26,299	26,299
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	34,638	35,330	36,037	36,758	37,493	38,243	39,008	39,788	40,584	41,395
TOTAL EXPENSES	**369,899**	**383,000**	**396,612**	**410,754**	**425,447**	**441,965**	**457,827**	**474,308**	**491,433**	**509,226**
NET OPERATING INCOME	**170,162**	**170,562**	**170,790**	**170,833**	**170,679**	**169,064**	**168,478**	**167,655**	**166,579**	**165,236**
DEBT SERVICE										
CHFA - 1st Mortgage	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830
CHFA - Bridge										
CASH FLOW after debt service	**21,332**	**21,732**	**21,960**	**22,003**	**21,849**	**20,234**	**19,648**	**18,825**	**17,749**	**16,406**
Transition Reserve										
Cumulative Reserve Bal.										
DEBT COVERAGE RATIO	**1.14**	**1.15**	**1.15**	**1.15**	**1.15**	**1.14**	**1.13**	**1.13**	**1.12**	**1.11**
Net Residual Cashflow	**21,332**	**21,732**	**21,960**	**22,003**	**21,849**	**20,234**	**19,648**	**18,825**	**17,749**	**16,406**

Cash Flow

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Affordable Rents	721,889	743,545	765,852	788,827	812,492	836,867	861,973	887,832	914,467	941,901
TOTAL RENTAL INCOME	**721,889**	**743,545**	**765,852**	**788,827**	**812,492**	**836,867**	**861,973**	**887,832**	**914,467**	**941,901**
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	5,820	5,966	6,115	6,268	6,425	6,585	6,750	6,919	7,092	7,269
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**5,820**	**5,966**	**6,115**	**6,268**	**6,425**	**6,585**	**6,750**	**6,919**	**7,092**	**7,269**
GROSS INCOME	**727,709**	**749,511**	**771,967**	**795,095**	**818,917**	**843,452**	**868,723**	**894,751**	**921,558**	**949,170**
Vacancy Rate : Sec 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	36,385	37,476	38,598	39,755	40,946	42,173	43,436	44,738	46,078	47,458
EFFECTIVE GROSS INCOME	**691,324**	**712,036**	**733,368**	**755,340**	**777,971**	**801,279**	**825,286**	**850,013**	**875,481**	**901,711**
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	459,193	477,561	496,664	516,530	537,191	558,679	581,026	604,267	628,438	653,575
Replacement Reserve	27,614	27,614	27,614	27,614	27,614	28,995	28,995	28,995	28,995	28,995
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	42,223	43,068	43,929	44,808	45,704	46,618	47,550	48,501	49,471	50,461
TOTAL EXPENSES	**529,031**	**548,243**	**568,207**	**588,952**	**610,509**	**634,291**	**657,571**	**681,763**	**706,904**	**733,031**
NET OPERATING INCOME	**162,293**	**163,793**	**165,162**	**166,389**	**167,462**	**166,988**	**167,716**	**168,250**	**168,577**	**168,681**
DEBT SERVICE										
CHFA - 1st Mortgage	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830	148,830
CHFA - Bridge										
CASH FLOW after debt service	**13,463**	**14,963**	**16,332**	**17,559**	**18,632**	**18,158**	**18,886**	**19,420**	**19,747**	**19,851**
Transition Reserve										
Cumulative Reserve Bal.										
DEBT COVERAGE RATIO	**1.09**	**1.10**	**1.11**	**1.12**	**1.13**	**1.12**	**1.13**	**1.13**	**1.13**	**1.13**
Net Residual Cashflow	**13,463**	**14,963**	**16,332**	**17,559**	**18,632**	**18,158**	**18,886**	**19,420**	**19,747**	**19,851**

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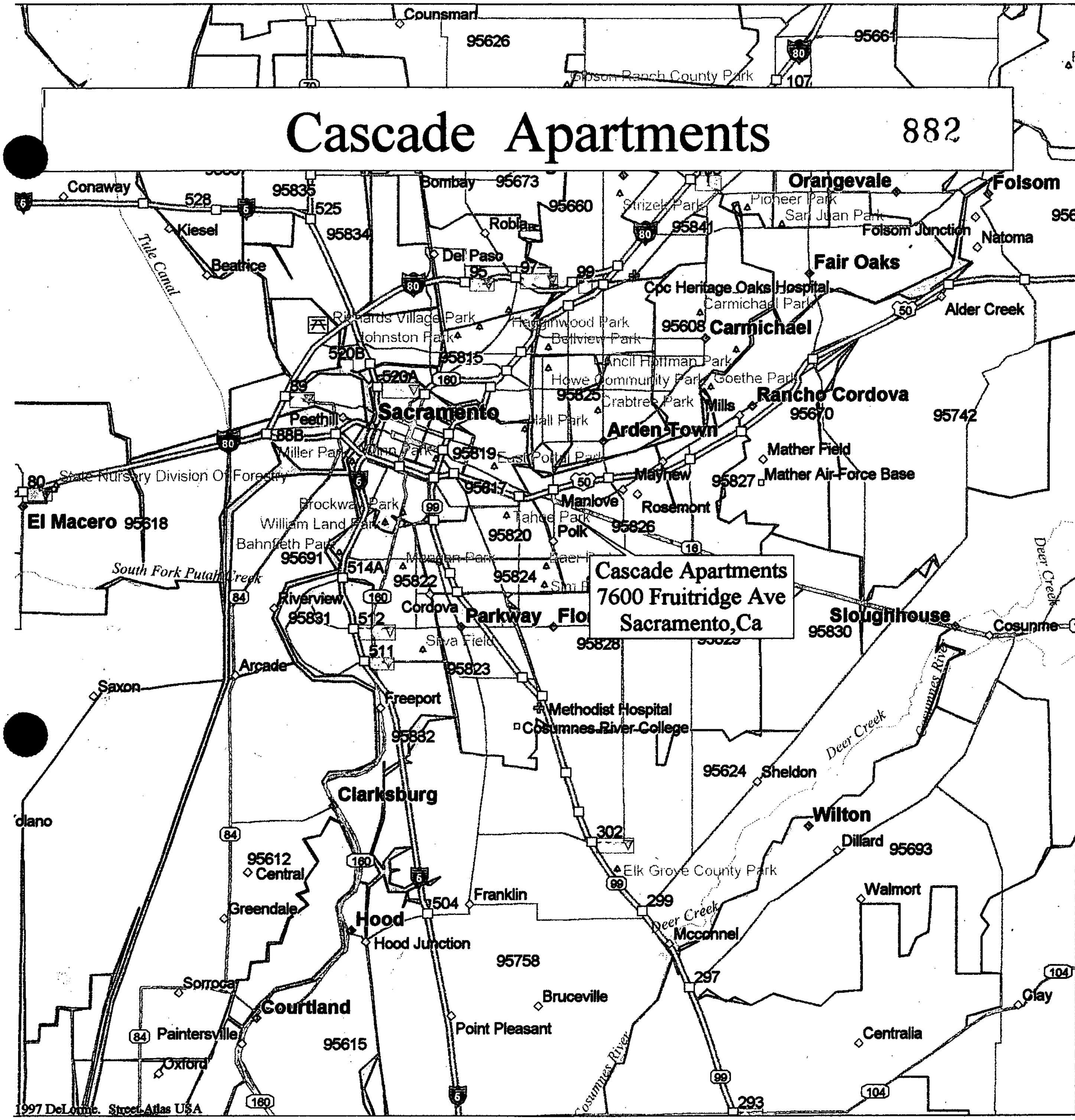
Cascade Apartments 882



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cale 1:250,000 (at center)
5 Miles
5KM

Major Connector	Small Town
State Route	Hospital
Primary State Route	Park/Reservation
Interstate/Limited Access	Exit/Gas
Rest Area with facilities	Exit/Lodging
Exit	Exit/Food
Point of Interest	Locale
State Capital	Sched Service Airport

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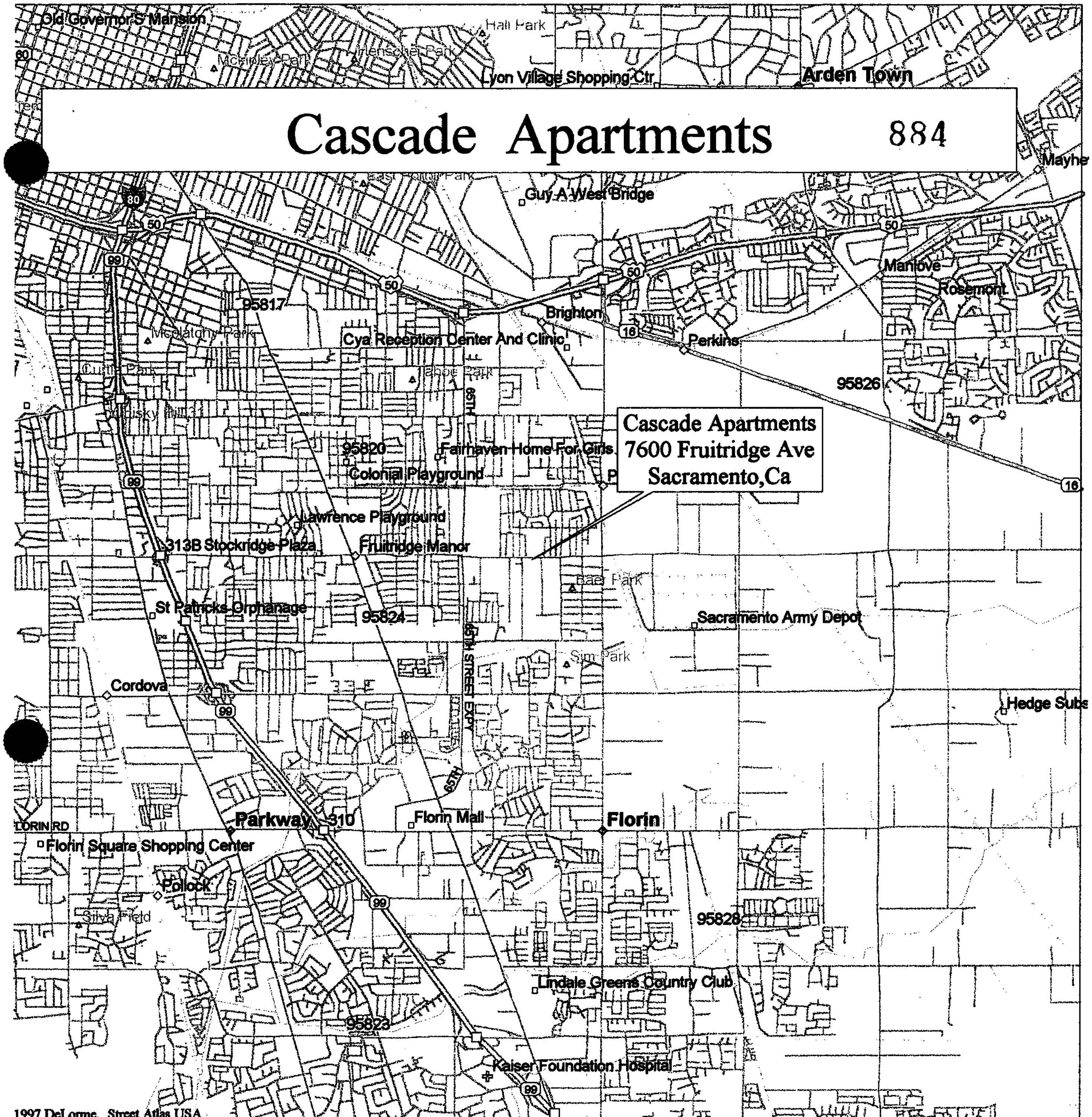
Cascade Apartments 884



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Local Road	Railroad
Major Connector	Point of Interest
State Route	Small Town
Primary State Route	Summit
Walkway/Stairway	Hospital
Interstate/Limited Access	Park/Reservation
Exit	Locale
Utility/Pipe	Cemetery

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RESOLUTION 00-17

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from AFE - Cascade Associated, L.P., a California limited partnership (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 a mortgage loan for a 74-unit multifamily housing development located in the City of Sacramento to be known as Cascade Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 26, 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 AMOUNT
00-008-N	Cascade Apartments Sacramento/Sacramento	74	$2,025,000

887

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 00-17 adopted at a duly constituted meeting of the Board of the Agency held on July 13, 2000, at Sacramento, California.

ATTEST:______________
secretary

Executive Summary

Date: 26-Jun-00

Project Profile:

Project :	Charter Oaks	*Borrower:*	Charter Oaks Assoc.
Location:	5025 Brown Valley Road	*GP:*	Trinity Housing Found.
City:	Napa	*LP:*	AF Evans Company
County:	Napa	*Program:*	Tax Exempt
Type:	Family	*CHFA # :*	00-009-N

Financing Summary

	Final	Per Unit
Permanent		
CHFA First Mortgage	$4,245,000	$56,600
NCCLF	$700,000	$9,333
Napa Housing Authority	$237,500	$3,167
Deferred Developer Equity	$0	$0
Tax Credit Equity	$1,905,388	$25,405

Loan to Value	74.2%
Loan to Cost	59.9%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	570	3	50%	$499	$21,325
2 BR	733	9	50%	$560	$23,975
3 BR	893	3	50%	$620	$26,650
1 BR	570	12	60%	$569	$25,590
2 BR	733	34	60%	$680	$28,770
3 BR	893	13	60%	$785	$33,255
2 BR	733	1	Manager	$680	$0
		75			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Project Name: Charter *Oaks* Apartments
CHFA Project #00-009-N

SUMMARY:

This is a **Final** commitment request for a tax-exempt first mortgage in the amount of $4,245,000 amortized over 30 years at 6.20%. Charter **Oaks** Apartments is a 75-unit family project located at 3025 Browns Valley **Road,** Napa, in Napa County.

LOAN TERMS:	**1ST MORTGAGE;**
Loan Amount	$4,245,000
Interest Rate:	6.20%
Term:	**30** years
Financing:	Tax-Exempt

LOCALITY INVOLVEMENT:

The Housing Authority of the City of Napa has approved a $237,500 residual receipts loan that will be funded in year 2004. This loan will pay off the balance of a five-year, unsecured loan of $700,000 from the Northern California Community Loan Fund ("NCCLF') which was **used** to acquire the project. It is anticipated that the annual debt service on the NCCLF loan will be paid from net operating income during years 1 through 3. If net operating income from the project is not sufficient to make the annual payments or payoff the remaining balance of the loan in 2004, NCCLF will direct it's **recourse** ***to*** the developer, not the project.

SECTION 8 CONTRACT:

Current Status: The property has an existing Section **8** contract that expires in January **2003.**

Conversion **Scenario:** When the Section **8** subsidy expires, the project will then operate under a mix of locality, CHFA and **tax** credit rents, all with income at 50% and 60% of median income. A standby operating account will be required to subsidize the project costs during the transition from HUD rents to tax-exempt bond and tax credit rents. Funding of the Standby Operating Account (the "Account") will be as follows:

- The Account will receive a commitment for a maximum level of $500,000 with Agency funds. Monies expended under the terms of the Account will be in the form of a loan (the Transition Loan) bearing annual interest at the rate of 3% simple interest, payable from the Project's residual receipts.

- Account funds will be used to cover any approved operating expense shortfall incurred until a complete transition from Section 8 rents to locality, tax credit and CHFA rents has occurred.

PROJECT DESCRIPTION:

Charter Oaks is a seventeen year-old project built on a nine-acre parcel, of which four acres are rolling hills. The project consists of nine, two-story buildings on the flat, five acre portion of land. There are a total of 15 one-bedroom units averaging 570 square feet; 44 two-bedroom units averaging 733 square feet, and 36 three-bedroom units averaging 893 square feet. This low-density project has a community building, community garden area, tot lot, basketball court, volleyball court, central laundry area, picnic area and covered parking areas.

PROPOSED REHABILITATION:

The proposed scope of work is minimal and is based on the physical needs assessment prepared by Catherine Dolph & Associates. The major rehabilitation components include the following:

- roof replacement
- fence around community garden
- dryrot repairs
- installation of smoke detectors
- replacement of some kitchen appliances
- replacement of some A/C units
- painting of exterior
- additional exterior lighting
- sidewalk trip-hazard repairs
- replacement of patio fencing
- siding repairs/replacement
- minor landscaping improvements
- new play ground equipment
- replacement of some carpeting/ vinyl
- new project signage
- new picnic BBQ's and tables/benches

RELOCATION:

The minimal amounts of interior rehabilitation can be done without relocation of tenants.

MARKET DEMAND:

Napa's current estimated population is 71,400 with a projected median income of **$48,496** in year **2001.** Vacancy rates currently average less **than** 3% per year and the subject property maintains waiting lists for all size units. With increasing home prices and higher interest rates, older housing stock remains in demand. Developers are choosing preservation of existing rental units as an affordable alternative to new construction.

Rent Differentials (Market vs. Restricted Subject Rents)

Rent Level	Subject	Section 8	Market	Dif. Btwn Market	% of Market
One Bedroom					
50% rents	$499	$765	$690	$191	72 %
60% rents	$569	$765	$690	$121	82 %
Two bedroom					
50% rents	$560	$916	$825	$265	67 %
60% rents	$680	$916	$825	$145	82 %
Three bedroom					
50% rents	$620	$1040	$975	$ 355	63 %
60% rents	$785	$1040	$975	$ 190	80 %

HOUSING SUPPLY:

Napa is comprised predominantly of single family homes, with approximately **26%** of the housing stock being multifamily units. A family would need to earn **$4,800** per month to "afford the mortgage on an averaged priced home in Napa with 10% down. Only **25%** of Napa's families currently earn enough to qualify for a home purchase and only **16%** of the current market rate rental stock is affordable for families earning 50% of median income. Given these conditions, the demand for affordable housing units will continue to remain strong.

OCCUPANCY RESTRICTIONS:

CHFA:	**20%** of units **(15)** restricted ***to*** **50%** or less **of** median income.
Housing **Authority:**	**100%** of units **(75)** restricted ***to*** **80%** or less of median income.
TCAC	**100%** of units **(75)** restricted to **60%** or less of median income.

ENVIRONMENTAL:

A Physical Needs Assessment ("PNA") was prepared by Catherine Dolph & Associates on May 1, 2000. The proposed scope of rehabilitation incorporates the areas of concern identified in the PNA. The PNA incorporated the cost of completing the dryrot and termite work identified in the termite inspection prepared by D & M Termite Inspection Services on March 27, 2000. A Phase I Inspection dated April 4, 2000 was performed by Piers Environmental. No adverse conditions were noted.

ARTICLE 34:

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

DEVELOPMENT TEAM

Borrower's Profile: The borrower will be Charter Oaks Associates, L.P., a California Limited Partnership with A.F. Evans Company as developer and general partner and the Trinity Housing Foundation, a California non-profit 501(c)3 corporation ("Trinity") as managing general partner. The tax credit equity investor and limited partner will be Boston Financial Tax Credit Investments.

A.F. Evans has developed over 4,300 housing units in their 23 years of experience. Currently A.F. Evans has 979 units under construction and they have another 668 units in the planning stage.

Trinity is a charitable housing organization comprised of three principals. The President, Mr. William Leone, has over 20 years experience in real estate; Mr. Scott Hammel, Vice President and general counsel, was the founding member and senior attorney of the law firm Litigation Advocates Group specializing in real estate matters; and Mr. Kenneth Haymaker, treasurer and CFO, who has been involved in real estate investments for 22 years.

Contractor: Recision General Contracting ("Precision") will be handling the entire rehabilitation contract. Precision has national experience with the successful completion of over 28,000 units.

Architect: Given the limited scope of rehabilitation an architect will not be required.

Management Agent: A.F. Evans Company manages its own properties through its wholly owned subsidiary Evans Property Management, Inc. (EPMI). EPMI was created by A.F. Evans 20 years ago in order to ensure that its developments were maintained at a high standard of excellence. EPMI currently manage around 4,900 multifamily units in 29 projects. A majority of the EPMI managed projects include a low-income residential component.

Project Summary

895

Date: 26-Jun-00

Project Profile:

Project:	Charter Oaks	*Appraiser:*	Jim Fogelberg
Location:	3025 Brown Valley Road		Palmer, Groth, Pietka
	Napa	*Cap Rate:*	8.00%
County/Zip:	Napa 94558	*As-Is Value*	$ 5,590,000
Borrower:	Charter Oaks Assoc.	*After Rehab*	$ 5,720,000
GP:	Trinity Housing Found.	*Final Value:*	$ 5,720,000
GP:	AF Evans Company		
		LTC/LTV:	
Program:	Tax Exempt	*Loan/Cost*	59.9%
CHFA#:	00-009-N	*Loan/Value*	74.2%

Project Description:

Units	75
Handicap Units	4
Bldge Type	Acq/Rehab
Buildings	9
stories	2
Gross Sq Ft	60,000
Land Sq Ft	390,870
Units/Acre	8
Total Parking	121
Covered Parking	75

Financing Summary:

	Amount	Per Unit	Rate	Term
Permanent				
CHFA First Mortgage	$4,245,000	$56,600	6.20%	30
NCCLF	$700,000	$9,333	7.50%	5
Tax Credit Equity	$1,905,388	$25,405	0.00%	
Napa Housing Authority	$237,500	$3,167	3.00%	30
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	570	3	50%	$499	$21,325
2 BR	733	9	50%	$560	$23,975
3 BR	893	3	50%	$620	$26,650
1 BR	570	12	60%	$569	$25,590
2 BR	733	34	60%	$680	$28,770
3 BR	893	13	60%	$785	$31,980
2 BR	733	1	Manager	$680	$0
		75			

Fees, Escrows and Reserves:

Escrows	**Basis of Requirements**		**Amount**	**security**
Commitment Fee	1.25%	of Loan Amount	$53,063	Cash
Finance Fee	1.25%	of Loan Amount	$53,063	Caeh
Bond Origination Guarantee	1.00%	of Loan Amount	$42,450	Letter of Credit
Rent up Account	10.00%	of Gross Income	$0	Letter of credit
Operating Expense Reserve	10.00%	of Gross Income	$59,076	Letter of Credit
Marketing	10.00%	of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	$350	Per Unit	$26,250	Operations
Initial Deposit to Repl. Res.	$1,000	Per Unit	$75,000	Cash
Standby Operating Reserve			$500,000	Agency Funds

Sources and Uses

Charter Oaks

SOURCES:

Name of Lender / Source	Permanent Tax-Exempt	Per Unit
CHFA First Mortgage	4,245,000	56,600
CHFAHAT	-	0
NCCLF	700,000	9,333
Total Institutional Financing	**4,945,000**	**65,933**
Equity Financing		
Tax Credits	1,905,388	25,405
Napa Housing Authority	237,500	3,167
Deferred Developer Equity	0	0
Total Equity Financing	**2,142,888**	**28,572**
TOTAL SOURCES	**7,087,888**	**94,505**

USES:

Acquisition	5,555,000	0
Rehabilitation	578,300	7,711
New Construction	0	0
Architectual Fees	0	0
Survey and Engineering	5,000	67
Const. Loan Interest & Fees	14,000	187
Permanent Financing	124,625	1,662
Legal Fees	27,500	367
Reserves	176,526	2,354
Contract Costs	11,100	148
Construction Contingency	95,000	1,267
Local Fees	8,000	107
TCAC/Other Costs	321,475	4,286
PROJECT COSTS	$6,916,826	**92,220**
Developer's Fee	68,287	1577
Consultant/Processing Agent	103,075	708
TOTAL USES	**$7,087,888**	**94,505**

Annual Operating Budget — Charter Oaks

		% of total	$ per unit
INCOME:			
Total Rental Income	745,748	98.9%	9,943
Laundry	8,100	1.1%	108
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**753,848**	**100.0%**	**10,051**
Less:			
Vacancy Loss	29,943	4.0%	399
Total Net Revenue	**723,905**	**96.0%**	**9,652**
EXPENSES:			
Payroll	99,050	18.0%	1,321
Administrative	48,446	8.8%	646
Utilities	23,340	4.2%	311
Operating and Maintenance	36,772	6.7%	490
Insurance and Business Taxes	2,431	0.4%	32
Taxes and Assessments	1,000	0.2%	13
Reserve for Replacement Deposits	26,250	4.8%	350
Subtotal Operating Expenses	**237,289**	**43.2%**	**3,164**
Financial Expenses			
Mortgage Payments (1st loan)	311,992	56.8%	4,160
Total Financial	311,992	56.8%	4,160
Total Project Expenses	**549,280**	**100.0%**	**7,324**

Cash Flow — Charter Oaks

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sec. 8 Increase	*1.50%*	*1.50%*	*1.50%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	154,988	157,313	159,673	0	0	0	0	0	0	0
Affordable Rent Increase	*1.50%*	*1.50%*	*1.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	590,760	599,621	608,616	623,831	639,427	655,413	671,798	688,593	705,808	723,453
TOTAL RENTAL INCOME	**745,748**	**756,934**	**768,288**	**623,831**	**639,427**	**655,413**	**671,798**	**688,593**	**705,808**	**723,453**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	8,100	8,303	8,510	8,723	8,941	9,164	9,394	9,628	9,869	10,116
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**8,100**	**8,303**	**8,510**	**8,723**	**8,941**	**9,164**	**9,394**	**9,628**	**9,869**	**10,116**
GROSS INCOME	**753,848**	**765,237**	**776,798**	**632,554**	**648,368**	**664,577**	**681,191**	**698,221**	**715,677**	**733,569**
Vacancy Rate : Sec 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	29,943	30,396	30,856	31,628	32,418	33,229	34,060	34,911	35,784	36,678
EFFECTIVE GROSS INCOME	**723,905**	**734,841**	**745,942**	**600,926**	**615,949**	**631,348**	**647,132**	**663,310**	**679,893**	**696,890**
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	210,039	218,440	227,178	236,265	245,715	255,544	265,766	276,396	287,452	298,950
Replacement Reserve	26,250	26,250	26,250	26,250	26,250	26,250	26,250	27,563	27,563	27,563
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	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
TOTAL EXPENSES	**237,289**	**245,710**	**254,468**	**263,576**	**273,048**	**282,898**	**293,142**	**305,108**	**316,187**	**327,708**
NET OPERATING INCOME	**486,616**	**489,130**	**491,474**	**337,350**	**342,902**	**348,450**	**353,990**	**358,202**	**363,706**	**369,182**
DEBT SERVICE										
CHFA - 1st Mortgage	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992
NCLF Loan (unsecured)	132,160	132,160	132,160	0	0	0	0	0	0	0
CASH FLOW after debt service	**42,465**	**44,979**	**47,322**	**25,358**	**30,910**	**36,458**	**41,998**	**46,211**	**51,715**	**57,190**
DEBT COVERAGE RATIO	**1.10**	**1.10**	**1.11**	**1.08**	**1.10**	**1.12**	**1.13**	**1.15**	**1.17**	**1.18**

Cash Flow

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	0	0	0	0	0	0	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	741,539	760,078	779,080	798,557	818,520	838,983	859,958	881,457	903,493	926,081
TOTAL RENTAL INCOME	**741,539**	**760,078**	**779,080**	**798,557**	**818,521**	**838,984**	**859,958**	**881,457**	**903,493**	**926,081**
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	10,369	10,628	10,894	11,166	11,445	11,731	12,024	12,325	12,633	12,949
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**10,369**	**10,628**	**10,894**	**11,166**	**11,445**	**11,731**	**12,024**	**12,325**	**12,633**	**12,949**
GROSS INCOME	**751,908**	**770,706**	**789,973**	**809,723**	**829,966**	**850,715**	**871,983**	**893,782**	**916,127**	**939,030**
Vacancy Rate : Sec 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	37,595	38,535	39,499	40,486	41,498	42,536	43,599	44,689	45,806	46,951
EFFECTIVE GROSS INCOME	**714,312**	**732,170**	**750,475**	**769,236**	**788,467**	**808,179**	**828,383**	**849,093**	**870,320**	**892,078**
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	310,908	323,345	336,279	349,730	363,719	378,268	393,398	409,134	425,500	442,520
Replacement Reserve	27,563	27,563	28,941	28,941	28,941	28,941	28,941	30,388	30,388	30,388
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	1,219	1,243	1,268	1,294	1,319	1,346	1,373	1,400	1,428	1,457
TOTAL EXPENSES	**339,690**	**352,151**	**366,487**	**379,964**	**393,979**	**408,554**	**423,712**	**440,922**	**457,316**	**474,364**
NET OPERATING INCOME	**374,623**	**380,020**	**383,987**	**389,272**	**394,488**	**399,625**	**404,672**	**408,171**	**413,005**	**417,714**
DEBT SERVICE										
CHFA - 1st Mortgage	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992
NCLF Loan (unsecured)	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	**62,631**	**68,028**	**71,995**	**77,281**	**82,497**	**87,633**	**92,680**	**96,179**	**101,013**	**105,723**
DEBT COVERAGE RATIO	**1.20**	**1.22**	**1.23**	**1.25**	**1.26**	**1.28**	**1.30**	**1.31**	**1.32**	**1.34**

Cash Flow

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	949,233	972,964	997,288	1,022,220	1,047,775	1,073,970	1,100,819	1,128,340	1,156,548	1,185,462
TOTAL RENTAL INCOME	**949,233**	**972,964**	**997,288**	**1,022,220**	**1,047,775**	**1,073,970**	**1,100,819**	**1,128,340**	**1,156,548**	**1,185,462**
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	13,273	13,605	13,945	14,293	14,651	15,017	15,392	15,777	16,172	16,576
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**13,273**	**13,605**	**13,945**	**14,293**	**14,651**	**15,017**	**15,392**	**15,777**	**16,172**	**16,576**
GROSS INCOME	**962,506**	**986,568**	**1,011,232**	**1,036,513**	**1,062,426**	**1,088,987**	**1,116,211**	**1,144,117**	**1,172,720**	**1,202,038**
Vacancy Rate : Sec 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	48,125	49,328	50,562	51,826	53,121	54,449	55,811	57,206	58,636	60,102
EFFECTIVE GROSS INCOME	**914,380**	**937,240**	**960,671**	**984,688**	**1,009,305**	**1,034,537**	**1,060,401**	**1,086,911**	**1,114,084**	**1,141,936**
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	460,220	478,629	497,774	517,685	538,393	559,929	582,326	605,619	629,844	655,037
Replacement Reserve	30,388	30,388	31,907	31,907	31,907	31,907	31,907	33,502	33,502	33,502
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	1,486	1,516	1,546	1,577	1,608	1,641	1,673	1,707	1,741	1,776
TOTAL EXPENSES	**492,094**	**510,533**	**531,227**	**551,169**	**571,908**	**593,476**	**615,906**	**640,828**	**665,087**	**690,315**
NET OPERATING INCOME	**422,286**	**426,707**	**429,443**	**433,518**	**437,396**	**441,061**	**444,495**	**446,083**	**448,997**	**451,620**
DEBT SERVICE										
CHFA - 1st Mortgage	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992	311,992
NCLF Loan (unsecured)	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	**110,295**	**114,716**	**117,452**	**121,527**	**125,405**	**129,070**	**132,503**	**134,091**	**137,005**	**139,629**
DEBT COVERAGE RATIO	**1.35**	**1.37**	**1.38**	**1.39**	**1.40**	**1.41**	**1.42**	**1.43**	**1.44**	**1.45**

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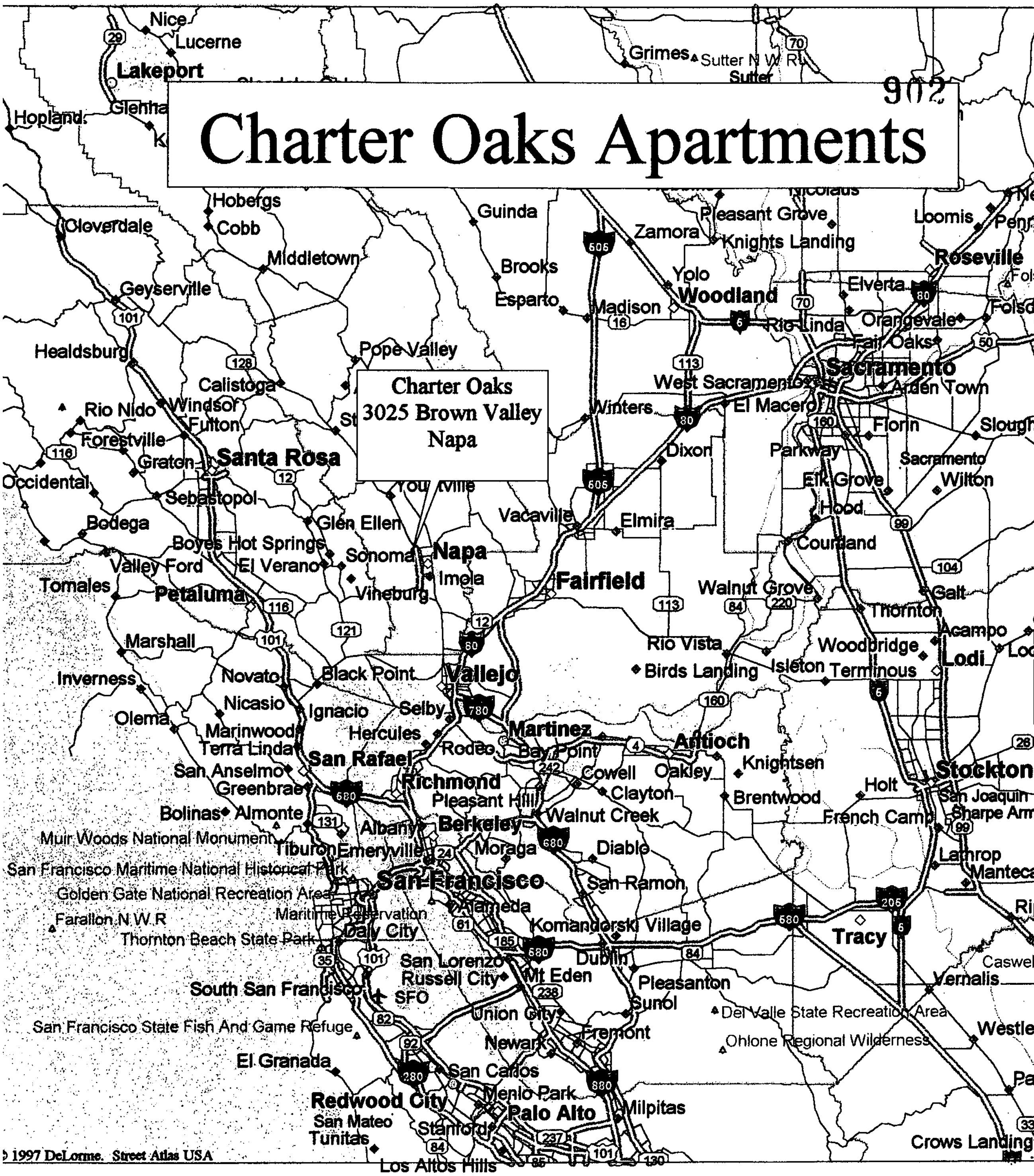
902

Charter Oaks Apartments



Mag 9.00
Wed Jun 28 13:48 2000
Scale 1:1,000,000 *(at center)*

20 Miles

20 KM

Major Road
Major Highway
Ferry
Interstate/Limited Access
Toll Highway

Point of Interest
County Seat
State Capital
Large City
Park/Reservation

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Charter Oaks Apartments

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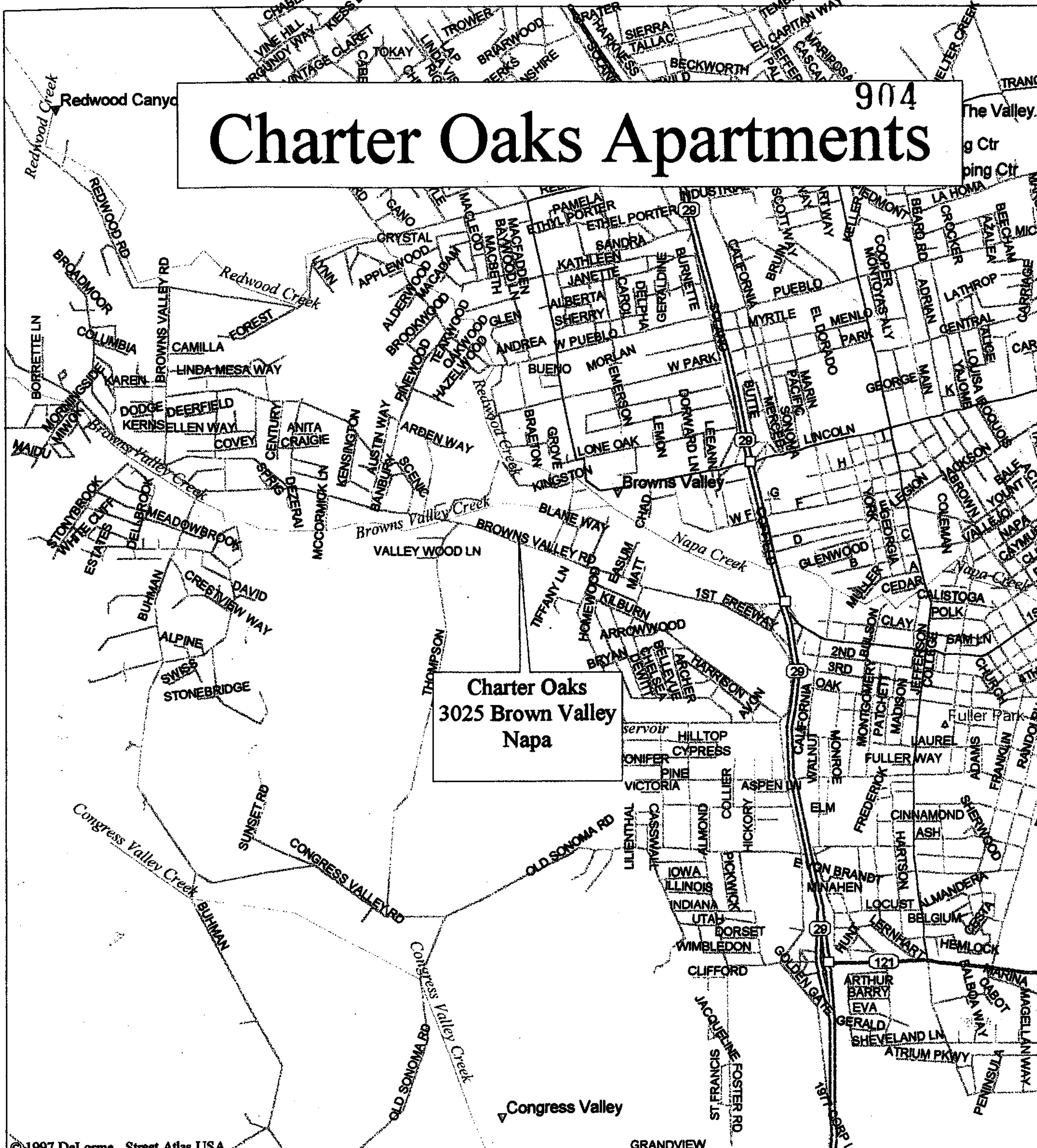

Mag 14.00
Wed Jun 28 1344 2000
Scale 1:31,250 (*at* center)

2000 Feet

1000 Meters

Local Road	Exit
Major Connector	Railroad
State Route	Point of Interest
Primary State Route	Geographic Feature
Interstate/Limited Access	Hospital

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RESOLUTION 00-18

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from A.F. Evans Company, a California corporation, on behalf of Charter Oaks Associates, L.P., a California limited partnership (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 a mortgage loan for a 75-unit multifamily housing development located in the City of Napa to be known as Charter Oaks Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 26, 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 terns 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 AMOUNT
00-009-N	Charter Oaks Apartments Napa/Napa	75	$4,185,000

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Resolution 0-18
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 0-18 adopted at a duly constituted meeting of the Board of the Agency held on July 13, 2000, at Sacramento, California.

ATTEST:______________
Secretary

COURT PAPER
STATE OF CALIFORNIA
STD. 113 (REV 8-72)

34769

Executive Summary

Date: 26-Jun-00

Project Profile:

Project :	Park Pacific Apts.	*Borrower:*	Village Park Pacific, L.C.
Location:	10256 La Hacienda Ave.	*GP:*	Foundation for Social Resources
City:	Fountain Valley	*LP:*	VPM Park Pacific LLC
county:	Orange	*Program:*	Tax Exempt
Type:	Family	*CHFA # :*	00-022-S

Financing Summary:

	Final	Per Unit
Acquisition		
CHFA Acq. Loan	$12,350,000	$71,802
Seller Second	$3,202,255	$18,618
Developers Cash	$122,570	$713
Permanent		
CHFA Firm Mortgage	$12,975,000	s75.436
Developers Cash	S0	S0
Deferred Developer Equity	S0	S0
Tax Credit Equity	$4,557,222	526,495

Loan to Value 72.8%

Loan to Cost 74.0%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	731	21	50%	$677	$27,850
2BR/1BTH	965	10	50%	$755	$31,325
2BR/2BTH	965	3	50%	$755	$31,325
1 BR	731	83	60%	$764	$33,420
2BR/1BTH	965	42	60%	$912	$37,590
2BR/2BTH	965	12	60%	$912	$37,590
2BR/1BTH	965	1	Manager	$920	N/A
		172			

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Park Pacific Apartments

CHFA Project # 00-022-N

SUMMARY:

This is a Final Commitment request for a taxable acquisition loan in the amount of $12,350,000 at 7.0% interest for 2 years and a tax-exempt permanent first mortgage in the amount of $12,975,000, amortized over 30 years at 6.20% interest. Park Pacific Apartments is an existing 172-unit, family project located at 10256 La Hacienda Avenue, Fountain Valley, in Orange County.

LOAN TERMS:	ACOUISITION	PERMANENT
Loan Amount:	$12,350,000	**$12,975,000**
Interest Rate:	7.00%	**6.20%**
Term:	2 years	30 years
Financing:	Taxable	Tax-Exempt

PROJECT DESCRIPTION:

This 172-unit family project is part of a 472-unit project that was constructed in three phases in 1970. The subject is referred to as Phase II and is legally separate from the other two phases and is situated on 6.135 acres. There are 13 two-story buildings with a mix of one and two-bedroom floor plans ranging in size from 688 square feet to 916 square feet. The project is extensively landscaped and has a pool, spa, two laundry rooms, 213 carport spaces and 10 open parking spaces.

PROPO I

The **proposed** rehabilitation is estimated to cost **$1.4** million dollars with the following primary components to be address:

- Replaceroofs
- Replace Heaters & A/C's
- Plumbing repairs & upgrades
- Repair patio fencing & fascia

PROPOSED REHABILITATION: (CONTINUED)

- Repair upstairs decks as needed
- Replace carpet and vinyl flooring
- Replace window coverings
- Install new ranges & hood fans
- Paint all interior units
- Eradicate termites/repair termite damage
- Patch, slurry seal & stripe driveways
- Resurface pool and deck
- Purchase new pool area furniture
- Install new refrigerators & disposals
- Replace/repair countertops as needed
- Dryrot repairs

RELOCATION:

The units are to be rehabilitated through normal unit attrition and will not require permanent relocation of tenants. Temporary relocation may be required if the buildings need to be fumigated. The Agency will require compliance with any applicable provisions of the Uniform Relocation Act.

MARKET DEMAND:

The project's primary market area (PMA) is considered to be the City of Fountain Valley where the current estimated population is 54,754 and the median home value is $285,300. The PMA median household income is currently $56,115 compared to the Orange County median income of $68,300. With over half of the households in the PMA earning less than $50,000 per year, rental housing is in high demand with occupancy rates averaging over 98%.

HOUSING SUPPLY:

Fountain Valley is 98% built out, with present land uses being 50% single family homes, 10% condominiums, 20% apartments, and the remainder being commercial or industrial. Park Pacific is surrounded by similar apartment communities and is in close proximity to retail centers, supermarkets, restaurants, schools, and parks

In a survey of over 1,400 rental units, only 16 were vacant. Rental rates continue to increase as the rental market continues to remain strong and prospective tenants migrate out of the more expensive areas of Irvine and Newport Beach. According to CB Richard Ellis, the amount of new construction starts in the southern part of Orange County will decline in 2000 as entitled land available for future development is limited. Developers are responding to rental demands by acquiring and renovating the existing housing stock.

Rent Differentials (Proposed Rents vs. Market)

Rent Level	Subject Property	Market Rate Avg.	Difference Btwn Market	Percent of Market
One Bedroom				
50%	$ 677	$865	$188	78 %
60%	$764	$865	$101	88 %
Two Bedroom/ One Bath				
50%	$ 755	$1,015	$260	74 %
60%	$ 912	$1,015	$103	90 %
Two Bedroom / Two Batb				
60%	$ 912	$1,055	$143	86 %

OCCUPANCY **RESTRICTIONS:**

CHFA: 20% of the units (34) restricted to *50%* or less of median income.

TCAC: 100% of the units (100) restricted to 60% of median income.

ENVIRONMENTAL:

A Physical Needs Assessment bas been ordered from EMG, Inc. along with seismic inspection report from Dames & Moore. The findings from a termite report prepared by RK Exterminators on June 11, 2000 have been incorporated in the final scope of work. The Phase I report prepared by Project Resources, Inc. on February 28, 2000 requires implementation of an ongoing Operations & Maintenance plan for the minimal levels of asbestos and lead-based paint discovered in the project. Further findings or recommendations from outstanding reports will be incorporated into the final scope of work and will be a condition of the **final** commitment.

ARTICLE 34:

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

DEVELOPMENT TEAM:

Borrower's profile: The borrower is Village Park Pacific, LP, a California limited partnership with VPM Park Pacific LLC, is co-general partner and Foundation for Social Resources, Inc. is the managing general partner.

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Scott J. Barker and Steve Tomlin are the sole members of VPM Park Pacific LLC which is a subsidiary of Village Investments and Village Property Management, Inc. (collectively "VPM"). VPM has 24 years of multifamily development, rehabilitation, and management experience and currently own and manage over 4,400 rental units.

Foundation for Social Resources, Inc. (" Foundation") was formed in 1988 and currently owns or has a beneficial interest in 35 apartment complexes comprising approximately 6500 units. Foundation is located in Costa Mesa California. Mr. William Hirsch is the President of Foundation.

Contractor: The Borrower bas solicit bids €or the proposed scope of work. A contractor will be selected once all of the environmental reviews and recommendations have been finalized.

Architect: The scope of rehabilitation does not warrant an architect. VPM has renovated over 2,000 units and have adequate experience to supervise the rehabilitation of Park Pacific Apartments.

Management Agent: Village Property Management, Inc. is a full service residential property management company. VPM currently manages two CHFA financed projects with 285 units. Mr. Philip H. McNamee established VPM in 1965 to manage his personal investments of single family homes. Between 1992 and 1979 Mr. McNamee, through limited partnership, purchased over 900 single-family homes in Orange County. In 1978 Mr. McNamee expanded his operations to include fee management of multifamily apartment developments. Mr. Scott Barker has been associated with VPM since 1976 where he established all corporate, project and partnership accounting procedures. He remains active in the supervision of all aspects of asset and property management.

Project Summary

Date: 26-Jun-00

Project Profile:

Project :	Park Pacific Apts.	*Appraiser:*	Steve R. Elston, MAI		
Location:	10256 La Hacienda Ave.		Pacific Real Estate Appraisal		
	Fountain Valley	*Cap Rate:*	8.00%		
County/Zip:	Orange 92708	*As-Is Value*	$ 14,850,000		
Borrower:	Village Park Pacific, L.C.	*After Rehab*	$ 17,825,000		
GP:	Foundation for Social Resources	*Final Value:*	$ 17,825,000		
LP:	VPM Park Pacific LLC				
		LTC/LTV:			
Program:	Tax Exempt	*Loan/Cost*	74.0%		
CHFA # :	00-022-S	*Loan/Value*	72.8%		

Project Description:

Units	in
Handicap Units	
Bldge Type	Acq/Rehab
Buildings	13
Stories	2
Gross Sq Ft	134,880
Land Sq Ft	267,302
Units/Acre	28
Total Parking	223
Covered Parking	213

Financing Summary:

	Amount	Per Unit	Rate	Term
Acquisition				
CHFA Loan A q.	12,350,000	$71,802	7.00%	2
Seller Second	$3,202,255	518,618	0.00%	
Developers Cash	$122,570	$713	0.00%	
Permanent				
CHFA First Mortgage	$12,975,000	$75,436	6.20%	30
seller Second	S0	S0	0.00%	
Tax Credit Equity	$4,557,222	$26,495	0.00%	
Developers Cash	S0	$0	0.00%	
CHFA HAT	S0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	731	21	50%	$677	$27,850
2BR/1BTH	965	10	50%	$755	$31,325
2BR/2BTH	965	3	50%	$755	$31,325
1 BR	731	83	60%	$764	$33,420
2BR/1BTH	965	42	60%	$912	$37,590
2BR/2BTH	965	12	60%	$912	$37,590
2BR/1BTH	965	1	Manager	$920	N/A
		172			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.25%	of Loan Amount	5154,375	Cash
Finance Fee	1.25%	of Loan Amount	$162,188	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$129,750	Letter of Credit
Rent Up Account	0.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$179,388	Letter of Credit
Marketing	0.00%	of Gross Income	S0	Letter of Credit
Annual Replacement Reserve Deposit	$350	Per Unit	$60,200	operations
Initial Deposit to Repl. Res.	$500	Per Unit	$86,000	Cash

Sources and Uses

Park Pacific Apts

SOURCES:

Name of Lender / Source	Acquisition Taxable	Per Unit	Permanent Tax-Exempt	Per Unit
CHFA Acq. Loan	12,350,000	71,802	-	0
CHFA First Mortgage		-	12,975,000	75,436
CHFA HAT			-	0
Seller Second	3,202,255	18,618	-	0
Total Institutional Financing	15,552,255	90,420	12,975,000	75,436
Equity Financing				
Tax Credits	0	0	4,557,222	26,495
Developers Cash	122,570	713	0	0
Deferred Developer Equity	0	0	0	0
Total Equity Financing	122,570	713	4,557,222	26,495
TOTAL SOURCES	15,674,825	91,133	17,532,222	101,932

USES:

Acquisition	15,340,000	89,186	15,001,177	87,216
Rehabilitation	0	0	1,493,675	8,684
New Construction	0	0	0	0
Architectual Fees	0	0	0	0
Survey &En	9,500	55	0	0
Const. Loan Interest & Fees	20,000	116	73,250	426
Permanent Financing	154,875	900	167,188	972
Legal Fees	0	0	90,000	523
Reserves	129,750	754	265,388	1.543
Contract costs	13,200	77	0	0
Construction Contingency	0	0	192,525	1,119
Local Fees	0	0	0	0
TCAC/Other Costs	7,500	44	88,520	515
PROJECT COSTS	15,674,825	91,133	$17,371,722	100,998
Developer Overhead Admin Fee	0	0	0	a
Consultant/Processing Agent	0	0	$160,500	933
TOTAL USES	15,674,825	91,133	$17,532,222	101,932

Annual Operating Budget — Park Pacific Apts.

		% of total	$ per unit
INCOME:			
Total Rental Income	1,651,344	99.1%	9,601
Laundry	14,448	0.9%	84
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	1,665,792	100.0%	9,685
Less:			
vacancy Loss	116,605	7.0%	678
Total Net Revenue	1,549,187	93.0%	9,007
EXPENSES:			
Payroll	97,598	6.5%	567
Administrative	91,847	6.1%	534
Utilities	94,750	6.3%	551
Operating and Maintenance	146,117	9.7%	850
Insurance and Business Taxes	39,883	2.6%	232
Taxes and Assessments	21,902	1.5%	127
Reserve for Replacement Deposits	60,200	4.0%	350
Subtotal Operating Expenses	552,297	36.7%	3,211
Financial Expenses			
Mortgage Payments (1st loan)	953,614	63.3%	5,544
Total Financial	953,614	63.3%	5,544
Total Project Expenses	1,505,911	100.0%	8,755

Cash Flow

Park Pacific Apts.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Acquisition Mortgage		Perm Mortg						
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	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%*
Affordable Rents	1,651,344	1,692,628	1,734,943	1,778,317	1,822,775	1,868,344	1,915,053	1,962,929	2,012,002
TOTAL RENTAL INCOME	1,651,344	1,692,628	1,734,943	1,778,317	1,822,775	1,868,344	1,915,053	1,962,929	2,012,002
OTHER INCOME									
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	14,448	14,809	15,179	15,559	15,948	16,347	16,755	17,174	17,603
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	14,448	14,809	15,179	15,559	15,948	16,347	16,755	17,174	17,603
GROSS INCOME	1,665,792	1,707,437	1,750,123	1,793,876	1,838,723	1,884,691	1,931,808	1,980,103	2,029,606
Vacancy Rate : Sec 8	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*7.00%*	*10.00%*	*7.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	116,605	170,744	122,509	89,694	91,936	94,235	96,590	99,005	101,480
EFFECTIVE GROSS INCOME	1,549,187	1,536,693	1,627,614	1,704,182	1,746,787	1,790,456	1,835,218	1,881,098	1,928,126
OPERATING EXPENSES									
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	470,445	489,262	508,833	529,186	550,354	572,368	595,263	619,073	643,836
Replacement Reserve	60,200	60,200	60,200	60,200	60,200	60,200	60,200	63,210	63,210
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	21,902	22,340	22,787	23,243	23,707	24,182	24,665	25,159	25,662
TOTAL EXPENSES	552,547	571,802	591,820	612,629	634,261	656,749	680,128	707,442	732,708
NET OPERATING INCOME	996,640	964,891	1,035,794	1,091,553	1,112,525	1,133,707	1,155,090	1,173,657	1,195,418
DEBT SERVICE Acq Mortgage			Perm Mortg						
CHFA Loan Acq. 7%	864,500	864,500	6.20%						
CHFA - 1st Mortgage	0	0	953,614	953,614	953,614	953,614	953,614	953,614	953,614
CHFA - HAT	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	132,140	100,391	82,180	137,939	158,911	180,093	201,476	220,042	241,804
Operating Transition Reserve	0	0	0	0	0	0	0	0	0
Cumulative Reserve Bal.	0	0	0	0	0	0	0	0	0
	1.15	1.12	1.09	1.14	1.17	1.19	1.21	1.23	1.25
Net Residual Cashflow	132,140	100,391	82,180	137,939	158,911	180,093	201,476	220,042	241,804

Cash Flow

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	0	0	0	0	0	0	0	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	2,062,302	2,113,860	2,166,706	2,220,874	2,276,396	2,333,306	2,391,638	2,451,429	2,512,715	2,575,533
TOTAL RENTAL INCOME	2,062,302	2,113,860	2,166,706	2,220,874	2,276,396	2,333,306	2,391,639	2,451,429	2,512,715	2,575,533
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	18,044	18,495	18,957	19,431	19,917	20,415	20,925	21,448	21,984	22,534
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	18,044	18,495	18,957	19,431	19,917	20,415	20,925	21,448	21,984	22,534
GROSS INCOME	2,080,346	2,132,355	2,185,663	2,240,305	2,296,313	2,353,721	2,412,564	2,472,878	[illegible]	,598,067
Vacancy Rate : Sec 8	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	104,017	106,618	109,283	112,015	114,816	117,686	120,628	123,644	126,735	129,903
EFFECTIVE GROSS INCOME	1,976,329	2,025,737	2,076,380	2,128,290	2,181,497	2,236,034	2,291,935	2,349,234	2,407,965	2,468,164
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	669,589	696,373	724,228	753,197	783,325	814,658	847,244	881,134	916,379	953,035
Replacement Reserve	63,210	63,210	63,210	66,371	66,371	66,371	66,371	66,371	69,689	69,689
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	26,175	26,698	27,232	27,777	28,333	28,899	29,477	30,067	30,668	31,281
TOTAL EXPENSES	758,974	786,281	814,670	847,345	878,028	909,928	943,092	977,571	1,016,736	1,054,005
NET OPERATING INCOME	1,217,354	1,239,455	1,261,710	1,280,945	1,303,469	1,326,107	1,348,843	1,371,662	1,391,228	1,414,159
DEBT SERVICE										
CHFA Loan Acq.										
CHFA - 1st Mortgage	953,614	953,614	953,614	953,614	953,614	953,614	953,614	953,614	953,614	953,614
CHFA - HAT	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	263,740	285,841	308,096	327,331	349,855	372,493	395,229	418,048	437,614	460,544
Operating Transition Reserve	0	0	0	0	0	0	0	0	0	0
Cumulative Reserve Bal.	0	0	0	0	0	0	0	0	0	0
	1.28	1.30	1.32	1.34	1.37	1.39	1.41	1.44	1.46	1.48
Net Residual Cashflow	263,740	285,841	308,096	327,331	349,855	372,493	395,229	418,048	437,614	460,544

Cash Flow

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Sec. 8 Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	2,639,921	2,705,919	2,773,567	2,842,907	2,913,979	2,986,829	3,061,499	3,138,037	3,216,488	3,296,900
TOTAL RENTAL INCOME	2,639,921	2,705,919	2,773,567	2,842,907	2,913,979	2,986,829	3,061,499	3,138,037	3,216,488	3,296,900
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	23,097	23,675	24,267	24,873	25,495	26,132	26,786	27,455	28,142	28,845
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	23,097	23,675	24,267	24,873	25,495	26,132	26,786	27,455	28,142	28,845
GROSS INCOME	2,663,019	2,729,594	2,797,834	2,867,780	2,939,474	3,012,961	3,088,285	3,165,492	3,244,630	3,325,745
Vacancy Rate : Sec 8	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	133,151	136,480	139,892	143,389	146,974	150,648	154,414	158,275	162,231	166,287
EFFECTIVE GROSS INCOME	2,529,868	2,593,114	2,657,942	2,724,391	2,792,501	2,862,313	2,933,871	3,007,218	3,082,398	3,159,458
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	991,156	1,030,802	1,072,034	1,114,916	1,159,512	1,205,893	1,254,128	1,304,294	1,356,465	1,410,724
Replacement Reserve	69,689	69,689	69,689	73,173	73,173	73,173	73,173	73,173	76,832	76,832
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	31,907	32,545	33,196	33,860	34,537	35,228	35,933	36,651	37,384	38,132
TOTAL EXPENSES	1,092,752	1,133,036	1,174,919	1,221,949	1,267,223	1,314,294	1,363,234	1,414,118	1,470,682	1,525,688
NET OPERATING INCOME	1,437,116	1,460,078	1,483,023	1,502,442	1,525,278	1,548,019	1,570,637	1,593,100	1,611,717	1,633,770
DEBT SERVICE										
CHFA Loan Acq.										
CHFA - 1st Mortgage	953,614	953,614	953,614	953,614	953,614	953,614	953,614	953,614	953,614	953,614
CHFA - HAT	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	483,502	506,464	529,409	548,828	571,663	594,405	617,022	639,485	658,102	680,156
Operating Transition Reserve	0	0	0	0	0	0	0	0	0	0
Cumulative Reserve Bal.	0									
	1.51	1.53	1.56	1.58	1.60	1.62	1.65	1.67	1.69	1.71
Net Residual Cashflow	483,502	506,464	529,409	548,828	571,663	594,405	617,022	639,485	658,102	680,156

Cash Flow

	2029	2030	2031
Sec. 8 Increase	*N/A*	*N/A*	*N/A*
Surplus Sec. 8 Income	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	3,379,323	3,463,806	3,550,401
TOTAL RENTAL INCOME	3,379,323	3,463,806	3,550,401
OTHER INCOME			
Other Income Increase	*2.50%*	*2.50%*	*2.50%*
Laundry	29,566	30,306	31,063
Commercial	N/A	N/A	N/A
TOTAL OTHER INCOME	29,566	30,306	31,063
GROSS INCOME	3,408,889	3,494,111	3,581,464
Vacancy Rate : Sec 8	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	170,444	174,706	179,073
EFFECTIVE GROSS INCOME	3,238,445	3,319,406	3,402,391
OPERATING EXPENSES			
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*
Expenses	1,467,153	1,525,839	1,586,873
Replacement Reserve	76,832	76,832	76,832
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	38,895	39,672	40,466
TOTAL EXPENSES	1,582,880	1,642,344	1,704,171
NET OPERATING INCOME	1,655,565	1,677,062	1,698,220
DEBT SERVICE			
CHFA Loan Acq.			
CHFA - 1st Mortgage	953,614	953,614	953,614
CHFA - HAT	0	0	0
CASH FLOW after debt service	701,951	723,448	744,606
Operating Transition Reserve	0	0	0
Cumulative Reserve Bal.			
	1.74	1.76	1.78
Net Residual Cashflow	701,951	723,448	744,606

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Park Pacific Apartments

922

Mag 10.00
Wed Jun 28 14:06 2000
Scale 1:500,000 (at center)
10 Miles
10 KM

Major Connector		Exit	
State Route		Point of Interest	
Primary State Route		Small Town	
Interstate/Limited Access		Large City	
Toll Highway		Park/Reservation	

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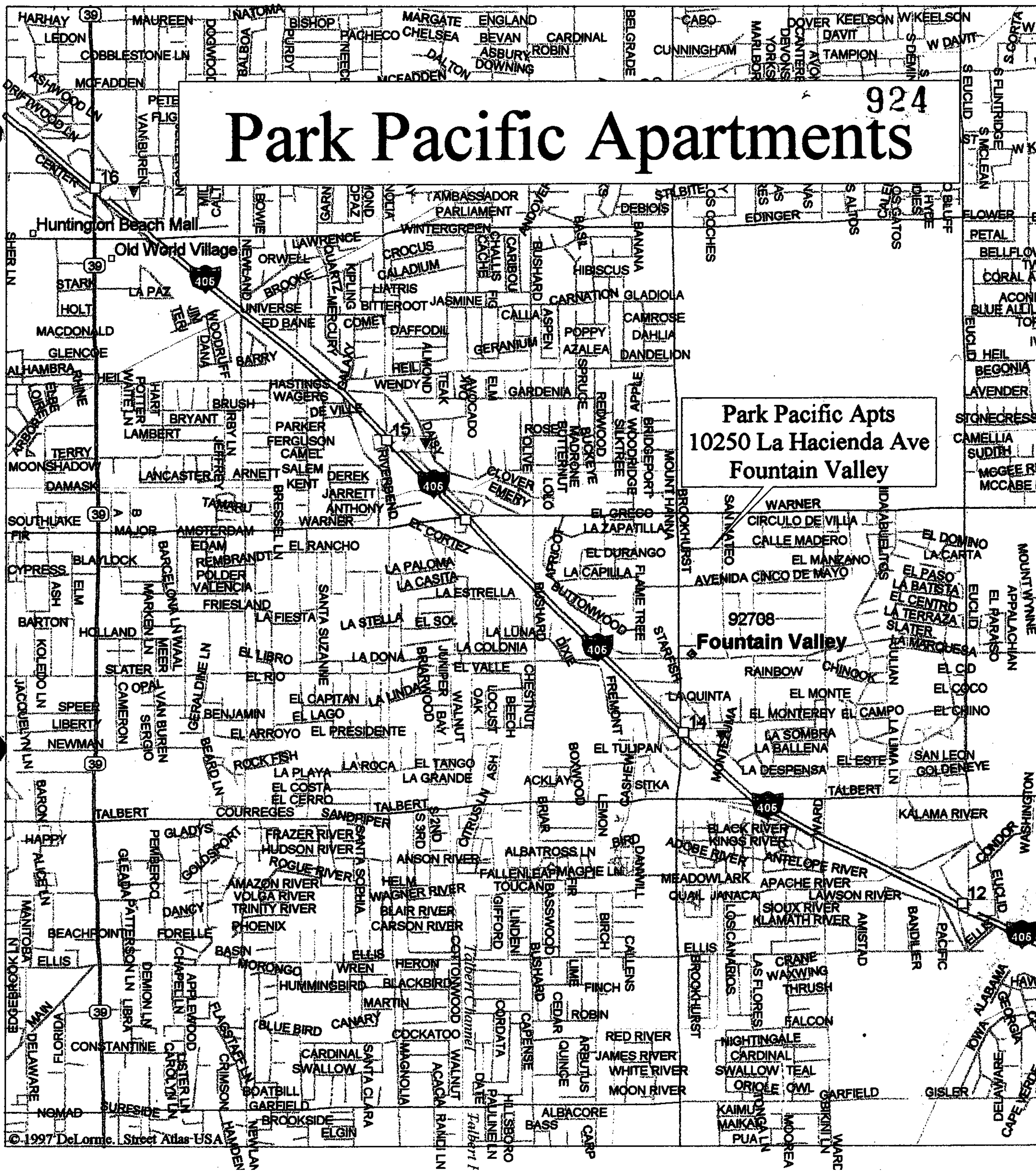

Mag 14.00
Wed Jun 28 13:56 2000
Scale 1:31,250 (*at* center)
2000 Feet
1000 Meters

Local Road		Point of Interest	
Major Connector		Small Town	
State Route		Exit/Gas	
Interstate/Limited Access		Exit/Lodging	
Exit		Exit/Food	

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RESOLUTION 00-19

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Village Park Pacific, L.P., a California limited partnership (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 172-unit multifamily housing development located in the City of Fountain Valley to be known as Park Pacific Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 26, 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
00-022-S	Park Pacific Apartments Fountain Valley/Orange	172	$12,450,000

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

3. All other material modifications to the final commitment, including increases in 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 00-19 adopted at a duly constituted meeting of the Board of the Agency held on July 13, 2000, at Sacramento, California.

ATTEST:______________
Secretary

Executive Summary

Date: 26-Jun-00

Project Profile:

Project :	Ocean View Apts.	*Borrower:*	NAHT
Location:	555 Crespi Drive	*GP:*	NAHT
City:	Pacifica	*LP:*	TBD
County:	San Mateo	*Program:*	501(C)(3)
Type:	Senior	*CHFA#* :	99-016-N

Financing Summary

	Final	Per Unit
CHFA First Mortgage	$9,325,000	$93,250
HOME/CDBG funds	$700,000	$7,000
City RDA funds	$300,000	$3,000
City of Pacifica	$1,650,000	$16,500
Other	$0	$0
Developer Equity	$75.731	$757
Tax Credits	$0	$0
CHFA Bridge	$0	$0
CHFA HAT-	$0	$0

Loan to Value
81.8%

Loan to Cost
77.4%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	505	25	50%	$748	$29,950
1 BR	505	20	60%	$842	$35,940
1 BR	505	55	80%	$1,038	$47,920
		100			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name; Ocean View Apartments

CHFA Project # 99-016-N

SUMMARY:

This is a Final Commitment request for a tax-exempt first mortgage in the amount of $9,325,000, amortized over 30 years at 5.75% interest. The project, Ocean View Apartments, an existing 100-unit, elderly project is located at 555 Crespi Drive, Pacifica, in San Mateo County.

LOAN TERMS:	1st Mortgage
Loan Amount:	$9,325,000
Interest Rate:	5.75%
Term:	30 years
Financing:	Tax Exempt 501(c)3

LOCALITY INVOLVEMENT:

The City of Pacifica is acquiring the project through eminent domain proceedings and will sell the project to the Borrower. (The City of Pacifica will make an unsecured loan to the project using CHFA HELP Program funds in the amount of $1,650,000.) The County's CDBG and HOME Programs will be providing loans totaling $700,000 at 3% interest for 35 years. The City will be providing Redevelopment Agency funds in the amount of $300,000 as a 30-year residual receipts loan.

PROJECT DESCRIPTION:

This 100-unit elderly community was built in 1972 on a 1.5-acre parcel overlooking the ocean. There are 100, one-bedroom units measuring approximately 505 square feet, in two, three-story buildings joined together by an enclosed bridge. The buildings have secured access and emergency pull cords and intercoms in tach unit. There is a central laundry area, a recreation building with a small kitchen facility and accessible bathrooms. There are 46 subterranean parking spaces below one of the buildings and parking is also available on the street. Elevator service is available in each building with access to the units via interior hallways. The project is within a third of a mile from the Senior Center, shopping, transportation, and post office.

PROPOSED REHABILITATION:

The proposed rehabilitation is minimal and estimated to cost **$300,000** with the following primary components to be address:

- Parking area re-striping
- Vinyl Siding
- Addition of handrails
- Common Area Carpeting
- Roof Repairs
- Gutter & Downspout repairs
- Upgrade of Fire & E-Call system
- Common Area Painting

RELOCATION:

Given the minimal scope of rehab, there will be no requirement for relocation of tenants.

MARKET DEMAND:

The project's primary market area (PMA) is considered to be within the City of Pacifica where the current estimated population is **41,050** and the median income for a two person household is $59,900. It is estimated that over **50%** of the elderly rental households earn less than 50% of median income. With such a high percent of lower income elderly, the affordable rental units will remain in high demand.

HOUSING SUPPLY:

The project is located along the coast in the City of Pacifica where housing is at a premium and unaffordable to most low income families. Approximately **70%** of the project is occupied by households with Section 8 Housing Vouchers who could not otherwise afford to live in market rate units. The current market rents in Pacifica for one-bedroom units range from *$950* to **$1,500** per month, and rents for two-bedroom units go for as much as **$2,000 per month.** **Overall** occupancy rates exceeded *97%* per annum in **1998.** The affordable housing rental market should remain strong given the strength of the local economy, low vacancy rates, the lack of affordable housing, **steady** population growth and the lack of construction of new apartment projects.

Rent Differentials (Proposed **Rents vs. Market)**

Rent Level	Subject property	Market Rate Avg.	Difference Btwn Market	Percent of Market
One Bedroom				
50%	$ 748	$1,150	$402	65%
60%	$ 842	$1,150	$308	73%
65%	$1,038	$1,150	$112	90%

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (20) restricted to 50% or less of median income.
HOME/CDBG:	3% of the units (3) restricted to 50% or less of median income 8% of the units (8) restricted to 60% or less of median income 38% of the units (38) restricted to 80% or less of median income
City of Pacifica:	100% of the units (100) restricted to 80% of median income.

ENVIRONMENTAL:

Dames and Moore completed a Phase I inspection in March that had no significant findings. The Borrower provided a Capital Needs Assessment prepared by McDonough, Holland & Allen in December 1999 which provided the basis for the current scope of work. An additional physical needs assessment has been ordered from EMG, Inc. Any recommendations from the report will be incorporated into the final scope of work and will be a condition of the final commitment.

ARTICLE 34:

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

DEVELOPMENT TEAM:

Borrower's profile: A subsidiary of National Church Residences ("NCR"), an Ohio non-profit corporation, will be the sole general partner of a yet to be formed limited partnership called Pacifica Senior Housing Limited Partnership.

Founded by Rev. John R. Glenn and four Ohio Presbyterian churches in 1961, NCR is a not-for-profit corporation governed by a 24-member Board of Trustees with a healthy mix of professional, business, and human service backgrounds. NCR provides high quality housing and health care communities, as well as supportive services to persons with modest incomes. NCR currently serve over 15,000 residents and have nearly 1,000 employees. With over sixteen years of experience with multifamily rental housing in California, NCR has developed and currently manage 5 projects with a total of 366 units in Los Angeles and Orange counties.

Contractor: The Borrower will solicit bids for the proposed rehabilitation once the entire scope of work has been finalized. Preliminary rehab costs were derived from, and based upon the scope of work identified by the Capital Needs Assessment prepared by McDonough, Holland & Allen.

Architect: The scope of rehabilitation does not warrant an architect.

Management Agent: National Church Residences (NCR) currently manage over 13,000 units in Ohio and California and will manage the Ocean View Apartments. NCR's California managed properties currently maintain a vacancy rate of less than 3% per annum.

Project Summary

Date: 26-Jun-00

Project Profile:

Project:	Ocean View Apts.	*Appraiser:*	Walter Carney
Location:	655 Crespi Drive		Hulberg & Associates
	Pacifica	*Cap Rate:*	7.50%
County/Zip:	San Mateo 94044	*As-Is Value*	$ 10,400,000
Borrower:	NAHT	*After Value*	$ 11,400,000
GP:	NAHT	*Final Value:*	$ 11,400,000
LP:	TBD		
		LTC/LTV:	
Program:	501(C)(3)	*Loan / Cost*	77.4%
CHFA #:	99-016-N	*Loan / Value*	81.8%

Project Description:

Units	100
Handicap units	
Bldge Type	Acq/Rehab
Buildings	2
Stories	3
Gross Sq Ft	71,372
Land Sq Ft	66.340
Units/Acre	67
Total Parking	46
Covered Parking	46

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$9,325,000	$93,250	5.75%	30
HOME/CDBG funds	$700,000	$7,000	3.00%	35
City of Pacifica	$1,650,000	$16,500	3.00%	10
City RDA funds	$300,000	$3,000	3.00%	30
Developer Equity	$75,731	$757		
Tax Credit Equity	$0	$0		
Deferred Developer Fee	$0	$0		
CHFA Bridge	$0	$0	0.00%	-
City of Pacifica	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	505	25	50%	$748	$29,950
1 BR	505	20	60%	$842	$35,940
1 BR	505	55	80%	$1,038	$47,920
		100			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	security
Commitment Fee	1.25%	of Loan Amount	$116,563	Cash
Finance Fee	1.25%	of Loan Amount	$116,563	Cash
Bond Origination Guarantee	0.00%	of Loan Amount	$0	Letter of Credit
Rent Up Account	0.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$112,356	Letter of Credit
Marketing	0.00%	of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	350	PerUnit	$35,700	Operations
Initial Deposit to Repl. Reserve	1000	PerUnit	$102,000	Cash
Transition Fund	$0	PerUnit	$0	Operations

Sources and Uses — Ocean View Apts.

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA First Mortgage	9,325,000	93,250
CHFA Bridge	0	0
City of Pacifica	1,650,000	16,500
HOME/CDBG funds	700,000	7,000
City RDA funds	300,000	3,000
Other Loans	0	0
Total Institutional Financing	11,975,000	119,750
Equity Financing		
Tax Credits	0	0
Developer Equity	75,731	757
Total Equity Financing	75,731	757
TOTAL **SOURCES**	12,050,731	120,507

USES:

Acquisition	11,100,000	111,000
Rehabilitation	300,000	3,000
New Construction	0	0
Architectual Fees	0	0
Survey and Engineering	0	0
Const. Loan Interest & Fees	15,000	150
Permanent Financing	248,625	2,486
Legal Fees	30,000	300
Reserves	214,356	2,144
Contract Costs	6,750	68
Construction Contingency	30,000	300
Local Fees	0	0
TCAC/Other Costs	12,000	120
PROJECT COSTS	11,955,731	119,557
Developer **Overhead/Profit**	*0*	*0*
Consultant/Processing Agent	95,000	950
TOTAL USES	12,080,731	120,507

Annual Operating Budget — Ocean View Apts.

		8 per unit
INCOME:		
Total Rental Income	1,111,560	11,116
Laundry	6,000	60
Other Income	6,000	60
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,123,560**	**11,236**
Less:		
Vacancy Loss	66,178	562
Total Net Revenue	1,067,382	10,674
EXPENSES:		
Payroll	0	-
Administrative	0	
Utilities	0	-
Operating and Maintenance	0	
Insurance and Business Taxes	2,348	23
Taxes and Assessments	302,400	3,024
Reserve for Replacement Deposits	35,700	357
Subtotal Operating Expenses	**340,448**	**3,404**
Financial Expenses		
Mortgage Payments (1st loan)	653,018	6,530
Total Financial	**653,018**	**6,530**
Total Project Expenses	**993,466**	**9,935**

Cash Flow Ocean View Apts. CHFA # 99-016-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,111,560	1,139,349	1,167,833	1,197,029	1,226,954	1,257,628	1,289,069	1,321,296	1,354,328	1,388,186
TOTAL RENTAL INCOME	**1,111,560**	**1,139,349**	**1,167,833**	**1,197,029**	**1,226,954**	**1,257,628**	**1,289,069**	**1,321,296**	**1,354,328**	**1,388,186**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	6,000	6,150	6,304	6,461	6,623	6,788	6,958	7,132	7,310	7,493
Parking	6,000	6,150	6,304	6,461	6,623	6,788	6,958	7,132	7,310	7,493
TOTAL OTHER INCOME	**12,000**	**12,300**	**12,608**	**12,923**	**13,246**	**13,577**	**13,916**	**14,264**	**14,621**	**14,986**
GROSS INCOME	**1,123,560**	**1,151,649**	**1,180,440**	**1,209,951**	**1,240,200**	**1,271,205**	**1,302,985**	**1,335,560**	**1,368,949**	**1,403,173**
Vacancy Rate : Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	56,178	57,582	59,022	60,498	62,010	63,560	65,149	66,778	68,447	70,159
EFFECTIVE GROSS INCOME	**1,067,382**	**1,094,067**	**1,121,418**	**1,149,454**	**1,178,190**	**1,207,645**	**1,237,836**	**1,268,782**	**1,300,501**	**1,333,014**
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	304,748	316,938	329,616	342,800	356,512	370,773	385,604	401,028	417,069	433,752
Replacement Reserve	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700
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	**340,448**	**352,638**	**365,316**	**378,500**	**392,212**	**406,473**	**421,304**	**436,728**	**452,769**	**469,452**
NET OPERATING INCOME	**726,934**	**741,428**	**756,103**	**770,953**	**785,978**	**801,172**	**816,532**	**832,054**	**847,732**	**863,562**
DEBT SERVICE										
CHFA - 1st Mortgage	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018
CHFA - Bridge Loan										
CASH FLOW after debt service	**73,916**	**88,410**	**103,085**	**117,935**	**132,960**	**148,154**	**163,514**	**179,036**	**194,714**	**210,544**
DEBT COVERAGE RATIO	**1.11**	**1.14**	**1.16**	**1.18**	**1.20**	**1.23**	**1.25**	**1.27**	[illegible]	[illegible]

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Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,422,891	1,458,463	1,494,925	1,532,298	1,570,605	1,609,870	1,650,117	1,691,370	1,733,654	1,776,996
TOTAL RENTAL INCOME	**1,422,891**	**1,458,463**	**1,494,925**	**1,532,298**	**1,570,605**	**1,609,870**	**1,650,117**	**1,691,370**	**1,733,654**	**1,776,996**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	7,681	7,873	8,069	8,271	8,478	8,690	8,907	9,130	9,358	9,592
Parking	7,681	7,873	8,069	8,271	8,478	8,690	8,907	9,130	9,358	9,592
TOTAL OTHER INCOME	**15,361**	**15,745**	**16,139**	**16,542**	**16,956**	**17,380**	**17,814**	**18,259**	**18,716**	**19,184**
GROSS INCOME	**1,438,252**	**1,474,208**	**1,511,063**	**1,548,840**	**1,587,561**	**1,627,250**	**1,667,931**	**1,709,629**	**1,752,370**	**[illegible]796,179**
Vacancy Rate : Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	71,913	73,710	75,553	77,442	79,378	81,362	83,397	85,481	87,619	89,809
EFFECTIVE GROSS INCOME	**1,366,339**	**1,400,498**	**1,435,510**	**1,471,398**	**1,508,183**	**1,545,887**	**1,584,535**	**1,624,148**	**1,664,752**	**1,706,370**
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	451,102	469,146	487,912	507,428	527,725	548,834	570,788	593,619	617,364	642,059
Replacement Reserve	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700
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	**486,802**	**504,846**	**523,612**	**543,128**	**563,425**	**584,534**	**606,488**	**629,319**	**653,064**	**677,759**
NET OPERATING INCOME	**879,537**	**895,652**	**911,898**	**928,270**	**944,757**	**961,353**	**978,047**	**994,829**	**1,011,688**	**1,028,612**
DEBT SERVICE										
CHFA - 1st Mortgage	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018
CHFA - Bridge Loan										
CASH FLOW after debt service	**226,519**	**242,634**	**258,880**	**275,252**	**291,739**	**308,335**	**325,029**	**341,811**	**358,670**	**375,594**
DEBT COVERAGE RATIO	**1.35**	**1.37**	**1.40**	**1.42**	**1.45**	**1.47**	**1.50**	**1.52**	**1.55**	**1.58**

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Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,821,420	1,866,956	1,913,630	1,961,471	2,010,507	2,060,770	2,112,289	2,165,097	2,219,224	2,274,705
TOTAL RENTAL INCOME	**1,821,421**	**1,866,956**	**1,913,630**	**1,961,471**	**2,010,507**	**2,060,770**	**2,112,289**	**2,165,097**	**2,219,224**	**2,274,705**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	9,832	10,077	10,329	10,588	10,852	11,124	11,402	11,687	11,979	12,278
Parking	9,832	10,077	10,329	10,588	10,852	11,124	11,402	11,687	11,979	12,278
TOTAL OTHER INCOME	**19,663**	**20,155**	**20,659**	**21,175**	**21,705**	**22,247**	**22,804**	**23,374**	**23,958**	**24,557**
GROSS INCOME	**1,841,084**	**1,887,111**	**1,934,289**	**1,982,646**	**2,032,212**	**2,083,017**	**2,135,093**	**2,188,470**	**2,243,182**	**2,299,262**
Vacancy Rate : Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	92,054	94,356	96,714	99,132	101,611	104,151	106,755	109,424	112,159	114,963
EFFECTIVE GROSS INCOME	**1,749,030**	**1,792,755**	**1,837,574**	**1,883,514**	**1,930,602**	**1,978,867**	**2,028,338**	**2,079,047**	**2,131,023**	**2,184,298**
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	667,741	694,451	722,229	751,118	781,162	812,409	844,905	878,702	913,850	950,404
Replacement Reserve	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700	35,700
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	**703,441**	**730,151**	**757,929**	**786,818**	**816,862**	**848,109**	**880,605**	**914,402**	**949,550**	**986,104**
NET OPERATING INCOME	**1,045,589**	**1,062,605**	**1,079,646**	**1,096,696**	**1,113,739**	**1,130,758**	**1,147,733**	**1,164,645**	**1,181,473**	**1,198,195**
DEBT SERVICE										
CHFA - 1st Mortgage	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018	653,018
CHFA - Bridge Loan										
CASH FLOW after debt service	**392,571**	**409,587**	**426,628**	**443,678**	**460,721**	**477,740**	**494,715**	**511,627**	**528,455**	**545,177**
DEBT COVERAGE RATIO	**1.60**	**1.63**	**1.65**	**1.68**	**1.71**	**1.73**	**1.76**	**1.78**	**1.81**	**1.83**

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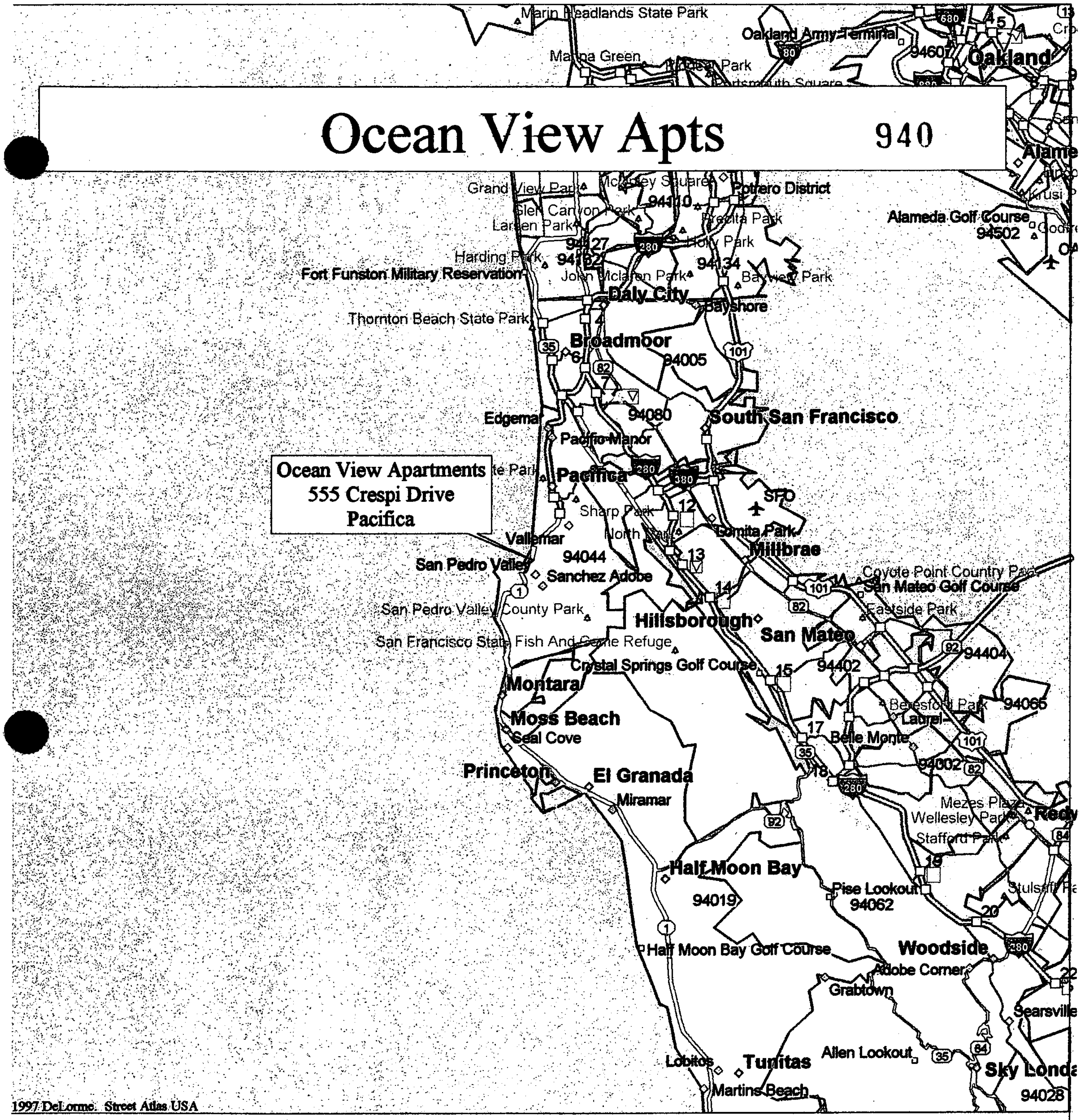
Ocean View Apts 940



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Major Connector		County Seat	
State Route		Small Town	
Primary State Route		Large City	
Interstate/Limited Access		Park/Reservation	
Toll Highway		Exit/Gas	
US Highway		Exit/Lodging	
Exit		Exit/Food	
Point of Interest		Mega City	

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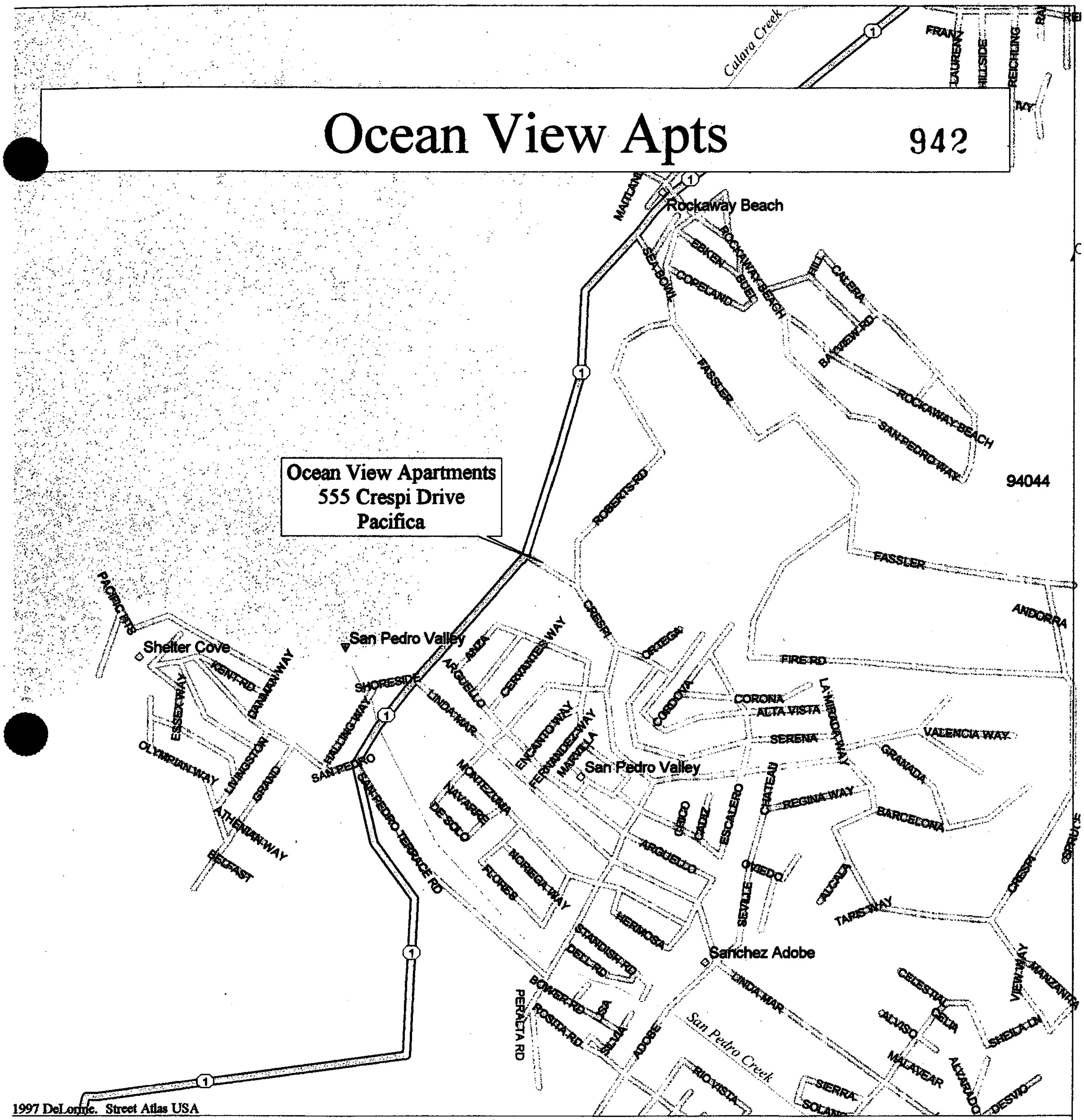
Ocean View Apts 942



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RESOLUTION 00-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from National Church Residences, an Ohio nonprofit 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 a mortgage loan for a 100-unit multifamily housing development located in the City of Pacifica to be known as Ocean View Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 26, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terns 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 terns 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 AMOUNT
99-016-N	Ocean View Apartments Pacifica/San Mateo	100	$9,325,000

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 fiuther Board approval.

3. All other material modifications to the final commitment, including increases m 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 00-20 adopted at a duly constituted meeting of the Board of the Agency held on July 13, 2000, at Sacramento, California.

ATTEST: ______________
Secretary

Executive Summary

Date: 26-Jun-00

Project Profile:

Project :	8th & Natoma Family Housing	*Borrower:*	Episcopal Community Services
Location:	165 8th Street	*GP:*	8th St. Community Resources
City:	San Francisco	*LP:*	Merritt Capital
county:	SF	*Program:*	Special Needs
Type:	Family	*CHFA # :*	99-034-N

Financing Summary:

	Final	Per Unit
Mercy Loan Fund - Mini Perm	$525,100	$10,940
SF MOH -Prop A - Amortized	$3,859,500	$80,406
SF MOH -Prop A - Deferred	$3,889,037	$81,022
SF RDA HOPWA	$689,407	$14,363
SF MOH - CDBG	$1,122,250	$23,380
AHP	$200,000	$4,167
Developer Capital Campaign	$775,000	$16,146
Tax Credits	$6,845,306	$142,611
CHFA Loan to Lender	$6,500,000	$135,417

Loan to Value
66.7%

Loan to Cost
36.0%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	612	2	50%	$702	$26,955
2 BR	950	2	50%	$636	$30,330
3 BR	1075	2	50%	$751	$33,705
4 BR	1300	2	50%	$866	$37,450
1 BR	612	2	45%	$549	$23,580
2 BR	950	4	45%	$566	$26,955
3 BR	1075	17	45%	$666	$30,330
4 BR	1300	2	45%	$768	$33,705
3 BR	1075	8	35%	$498	$23,590
4 BR	1300	1	35%	$574	$26,215
2 BR	950	5	18%	$211	$10,782
2 BR	950	1	Manager		
		48			

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Project Name: 8th & Natoma Apartments
CHFA PROJECT # 99-034-N

SUMMARY:

This is a request for a taxable loan for 8th & Natoma Apartments. The Agency will make a 2-year loan to the construction lender, Union Bank, at a 1% interest rate, which will be secured by a letter of credit for the amount of the Agency loan. Union Bank will pass along the savings from the Agency loan to the Borrower by reducing their construction interest rate.

The project is a 48 unit, new construction, family housing development located at 165 8th Street in San Francisco. The project contains 4 one-bedroom units, 12 two-bedroom units, 27 three-bedroom units and 5 four-bedroom units. The project will serve special-needs population of families who are either homeless or in danger of becoming homeless. Fifteen of the units will be reserved for families where the adult member has either a diagnosed mental illness, has a history of substance abuse, or has been diagnosed with HIV/AIDS and is homeless or in danger of becoming homeless. The Sponsor is Episcopal Community Services (ECS).

LOAN TERMS:	A TO C N ION LENDER
Loan Amount	$6,500,000
Interest Rate:	1%
Term:	2 years

SPECIAL NEEDS LOAN TERMS:

The Agency's involvement will be limited to making a reduced interest loan to the construction lender. The loan will be re-paid by an equity payment from the tax credit investor at permanent loan closing. The Agency will not take either a security interest in the real estate or an assignment of the general partner's interest in the tax credits.

An interest rate subsidy of $199,358 will be required to reduce the interest rate from 8.25% to 1%. This loan affords the Agency an opportunity to utilize federal funding sources to deepen project affordability.

LOCALITY INVOLVEMENT / RENT SUBSIDIES / AND OTHER FUNDING

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
Mercy Loan Fund	$525,100	fully amortized over term of loan	5	6.00%
SF MOH - Prop A - amortized	$3,859,500	Residual receipts, effective mterest	15	7.15%
SF MOH - Prop A - deferred	$3,889,037	Residual receipts, simple interest	50	3.00%
SF MOH - CDBG	$1,122,250	Residual receipts, simple interest	50	3.00%
SF RDA HOPWA	$689,407	Residual receipts, simple interest	50	3.00%
AHP	$200,000	Forgivable loan	10	0.00%

- The project has a commitment from HUD for fifteen (15) Shelter Plus Care rent subsidies. The Shelter Plus Care subsidies are project based but expire in 5 years. Renewal is discretionary with HUD. The Shelter Plus Care subsidies support a small, five year, $540,100 permanent loan from the Mercy Loan Fund.
- The project has received a commitment for thirty-two (32) Section 8 certificates from the San Francisco Housing Authority. `The HAP agreements for these certificates are only year-to-year, but the expectation is that these certificates will be "permanent" because they are replacement housing for lost HUD Hope 6 projects. These certificates will support a $3,859,500 locality loan that will be fully amortized over 15 years at a 7.15% interest rate with the proceeds of the Section 8 rent subsidies. In the event that the Section 8 contracts are not renewed, this loan will be become a deferred loan, payable from residual receipts.
- The City of San Francisco has agreed to make three additional loans to the project, totaling $5,700,734. These loans are residual receipts, and deferred for 50 years. The four locality loans total $9,560,194. To date, $7,882,121 has been committed to the project by the locality. The borrower has requested an additional $1,855,588 from the City. The City has indicated a willingness to increase their deferred Prop A loan, but will not make a firm commitment until the constructi'on costs have been finalized.
- There is a $200,000 AHP forgivable loan.
- The Borrower will contribute $775,000 in equity at construction loan closing. These funds will come from fundraising. Of this amount $345,000 has been raised and the remaining $410,000 pledged. The City has agreed to loan the Borrower these funds at 0% interest in the event that the Borrower has not raised the full mount by construction loan closing.
- The borrower received an allocation of 9% tax credits in 1999.
- Construction will be at prevailing wage rates. Compliance will be monitored by the City.

SPECIAL NEEDS PROGRAM:

This project will provide 48 units of new permanent, supportive housing for very low-income families who are homeless or in danger of becoming homeless. All of the units will have rental subsidies. At least 100 children will be housed together with their families. The applicants will be drawn from the City of San Francisco Shelter Plus Care and Section 8 waiting lists and screened by EHS.

There are 14,000 homeless people in San Francisco, half of them with families. There are only 211 family shelter beds available, and on any given night 100 families are turned away. The impact on families is devastating. When parents loose their housing, they loose their children, who are often placed in foster care. Ninety-five percent *(95%)* of the families engaged in court-mediated reunification in San Francisco site a lack of affordable housing as the most significant barrier to reuniting with their children. For parents the loss of their children adds anguish to adversity. For children, the lack of a stable home and healthy family often sets the stage for high-risk behaviors and spells an uncertain future at best.

Social Service Program:

The Sponsor will provide Social Services. The social service program will include the following components:

- a family skills program,
- social and recreational programs for families,
- health care and related education for both parents and children,
- case management services to support each person in the family,
- mental health services,
- educational, vocational and training opportunities,
- a child development center for infants and toddlers and pre-school children,
- an after school program for elementary school children,
- And an after school program for pre-teens and teens.

ECS has received a social service start up grant of $80,000 from the City of San Francisco Social Service's Department. They have also received a two-year grant totaling $95,000 from the Corporation for Supportive Housing. They anticipate that they will receive between $262,704 and $343,749 for social services from the City of San Francisco Social Service's Department. During the first 5 years of the project, between $38,747 and $43,233 in rental income will be available from the Shelter Plus Care rent payments for services. They will also be eligible for Supportive Housing Initiative Grants from the State of California.

ECS plans to hire 11 people to staff the supportive services program including a Support Services Director, five (5) case managers for mental health, adult services, families and children and youth, a family resource specialist, a vocational specialist, and two full time child care staff. There will also be two part time housing support staff.

PROJECT DESCRIPTION: The property is located on a 26,206 square foot site currently occupied by an existing three story older 50,000 square foot warehouse. It is in the South of Market Area (SOMA) District of San Francisco.

The existing improvements will be demolished and replaced with a new 48 unit family affordable housing project. Upon completion there will be four (4) one-bedroom units ranging in size from 563 to 612 square feet. There will be twelve (12) two-bedroom units, ranging in size from 771 to 1,104 square feet, three of which are townhouse units. There will be twenty-seven (27) three-bedroom units ranging in size from 1,000 to 1,126 square feet, ten of which are townhouse units. There are five (5) four bedroom units ranging in size from 1,203 to 1,494 square feet. In all, there are 20 different floor plans.

The new development will contain two separate but connected buildings with a total of 92,000 square feet of usable space. Of this 77,310 will be reserved exclusively for residential uses, 10,733 square feet will be available for supportive services serving both the residents and other clients of the sponsor. There will also be 3,557 square feet for the sponsor's administrative offices. The service and residential areas will be separate, and serviced by different elevators.

The larger building will be five stories with the ground floor comprised with an enclosed parking garage, main lobby, and skills center. The second through fifth levels will contain 42 residential units, The second level will have residential units, three open courtyards for residents, a 4,196 quare foot tenant service area, and a community room. The third floor will have more residential units and the sponsor's office area. The fourth and fifth floors will be exclusively residential. The ground floor will be concrete, and will support the paved courtyard areas, as well as the four story 1-HR fire-rated, sprinkled, wood-frame construction above.

The smaller building will be a four-story, wood frame building. The ground floor will contain a child care center and a courtyard with playground area. The second, third and fourth floors will contain six residential units. They will be connected to the larger building by a pedestrian bridge on the second floor level.

RELOCATION: Relocation is complete. There were ten (10) small commercial establishments in the existing warehouse. All ten have been relocated as per the requirements of the relocation plan prepared Pacific Relocation Consultants of Oakland, California dated November 22, 1999, and the requirements of the Uniform Relocation Act. The San Francisco Redevelopment Agency monitored the relocation.

MARKET DEMAND:

The City of San Francisco has a population of 790,500. It is at the geographic center of the Bay Area, which is the 4th largest metropolitan center in the United States with a population of 6,900,000. The San Francisco housing market is one of the most expensive in the country. Vacancy rates have been approximately 1% for the last several years and the overall market has stayed very strong with rapidly escalating prices. The supply of housing is very limited and the outlook for the housing market is very positive.

The project area is in the South of Market Area (SOMA) district that has historically been characterized as an industrial neighborhood. Recently it has become the main area of development in San Francisco and is transitioning from an older industrial and secondary office area to newer office developments, live/work projects and new residential developments. It is well served by transportation. The general outlook for the neighborhood surrounding the project is positive.

Rent Differentials (Market vs. Restricted Subject Rents)

Rent Level	Subject Project	Mkt. Rate Avg.	Difference	Percent
Note: As long as Shelter Plus Care and Project Based Section 8 rental subsidies are in place, the tenants will pay the lower of *30%* of their income or the restricted rent.				
One bedroom				
45%	$494	$1,275	$781	39%
50%	$612	$1,275	$663	48%
Two Bedroom				
18%	$211	$1,650	$1,439	13%
45%	$561	$1,650	$1,089	34%
50%	$636	$1,650	$1,014	39%
Three Bedroom				
35%	$498	$2,200	$1,702	23%
45%	$617	$2,200	$1,583	28%
50%	$751	$2,200	$1,450	34%
Four Bedroom				
35%	$574	$2,650	$2,076	22%
45%	$679	$2,650	$1,971	26%
50%	$866	$2,650	$1,784	33%

HOUSING SUPPLY:

Demand is strong for both market rate and affordable housing in San Francisco. Vacancy rates for market rate housing are under 1%, and units are filled at turnover.

The demand for affordable housing in San Francisco far exceeds the current supply. There are 8,700 HUD Section 8 Project-based housing units in San Francisco. There is an average of 5,000 to 6,000 persons on the waiting list for assisted housing. The typical waiting period is 36 months.

OCCUPANCY RESTRICTIONS:

CHFA:	100% of the units (47) restricted to 50% of median income for 10 years. A supportive service program for the residents in place for 10 years.
SF MOH:	89% of the units (42) restricted to 60% of median income. 11% of the units (05) restricted to 40% of median income. 11% of the units (OS) reserved for people with HIV/AIDS.
TCAC:	17% of the units (08) restricted to 50% of median income. 62% of the units (29) restricted to 45% of median income. 21% of the units (10) restricted to 35% of median income.
AHP:	100% of the units (47) restricted to 50% of median income.

ENVIRONMENTAL:

A Phase I and Phase II Environmental Assessments were performed by Erler & Kalinowski and dated 3/18/99. They identified the presence of lead and asbestos in the existing building, and an underground fuel tank. The lead and asbestos have been removed from the structure, and the fuel tank has been properly removed. The borrower has obtained appropriate clearances for abatement measures taken to date.

A Soils Sampling Analytical Report was also prepared by Erler & Kalinowski on 3/24/1999 that identified lead contamination in the soils. The borrower prepared a mitigation plan, which has been approved by the San Francisco Department of Public Health. The mitigation plan required that all materials excavated from the site be analyzed and disposed of at an appropriate landfill, and that any materials retained on site be properly encapsulated. The cost of the soil mitigation is estimated at $200,000. This cost was not anticipated.

ARTICLE 34:

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

DEVELOPMENT TEAM

Borrower's profile

Episcopal Community Services has a long history of working effectively with homeless people in San Francisco. Founded in 1983 to develop an emergency response to San Francisco's "temporary homeless problem", the organization currently has a 4.5 Million dollar annual operating budget. They operate the following programs:

- The Kip Kannon House, which provides 104 low-income housing units, in a service intensive environment. Seventy percent of the residents are dual diagnosed with mental illness, HIV/AIDS and or substance abuse.
- Pacific Bay Inn, a master-leased 76 unit SRO housing formerly homeless men and women, in a service intensive environment.
- The Rose. ECS provides supportive services for a 76 unit SRO for homeless and formerly homeless people in San Francisco. The Rose is owned and managed by Mercy Charities Housing California.
- The Sanctuary Shelter, which provides clean and sober shelter, meals, clothing, social services, job counseling and rehabilitation for homeless people in San Francisco.
- Multi-Service Center North, a day program provides meals, clothing, social services, job counseling and rehabilitation for homeless people in San Francisco.
- The Senior Center, which provides activities, lunches social services and case management for very-low income and homeless seniors in San Francisco.
- The Skills Center, which provides opportunities for homeless and low-income people to gain skills through basic education, adult literacy, job counseling and job training.

Contractor

The Contractor is Obayashi Corporation of Danville, CA. Founded in 1932, they have built twenty-eight residential projects in the last five years, sixteen of which were affordable family housing projects. Obayashi Corporation is involved in a negotiated bid agreement with the Borrower.

Architect

The Architect is Robert Herman, FAIA, of Herman & Coliver. They have designed forty-one (41) affordable housing developments over the last ten years including one Agency project, the Arc Apartments.

Management Agent: Mercy Services Corporation will manage the project. They own and manage 57 affordable housing developments witb 2,814 units of housing. Many of their properties are service enriched.

Project Summary

Date: 26-Jun-00

Project Profile:

Project :	8th & Natoma Family Housing	*Appraiser:*	Chris Carneighi
Location:	165 8th Street		Carneghi-Bautovich
	San Francisco	*Cap Rate:*	8.50%
County/Zip:	SF 94103	*Market:*	$ 8,800,000
Borrower:	Episcopal Community Services	*Income:*	$ 9,920,000
GP:	8th St. Community Resources	*Final Value:*	$ 9,750,000
LP:	Merritt Capital		
		LTC/LTV:	
Program:	Special Needs	*Loan/Cost*	36.0%
CHFA # :	99-034-N	*Loan/Value*	66.7%

Project Description:

Units	48
Handicap Units	2
Bldge Type	New Construction
Buildings	2
Stories	4 &5
Gross Sq Ft	92.008
Land Sq Ft	26,260
Units/Acre	80
Total Parking	46
Covered Parking	46

Financing Summary:

	Amount	Per Unit	Rate	Term
Mercy Loan Fund - Mini Perm	$525,100	$10,940	6.00%	5
SF MOH -Prop A - Amortized	$3,859,500	$80,406	7.15%	15
SF MOH -Prop A - Deferred	$3,889,037	$81,022	3.00%	50
SF RDA HOPWA	$689,407	$14,363	3.00%	50
SF MOH - CDBG	$1,122,250	$23,380	3.00%	50
AHP	$200,000	$4,167	0.00%	10
Developer Capital Campaign	$775,000	$16,146		
Tax Credit Equity	$6,845,306	$142,611		
CHFA Loan to Lender	$6,500,000	$135,417	1.00%	2

Unit Mix:

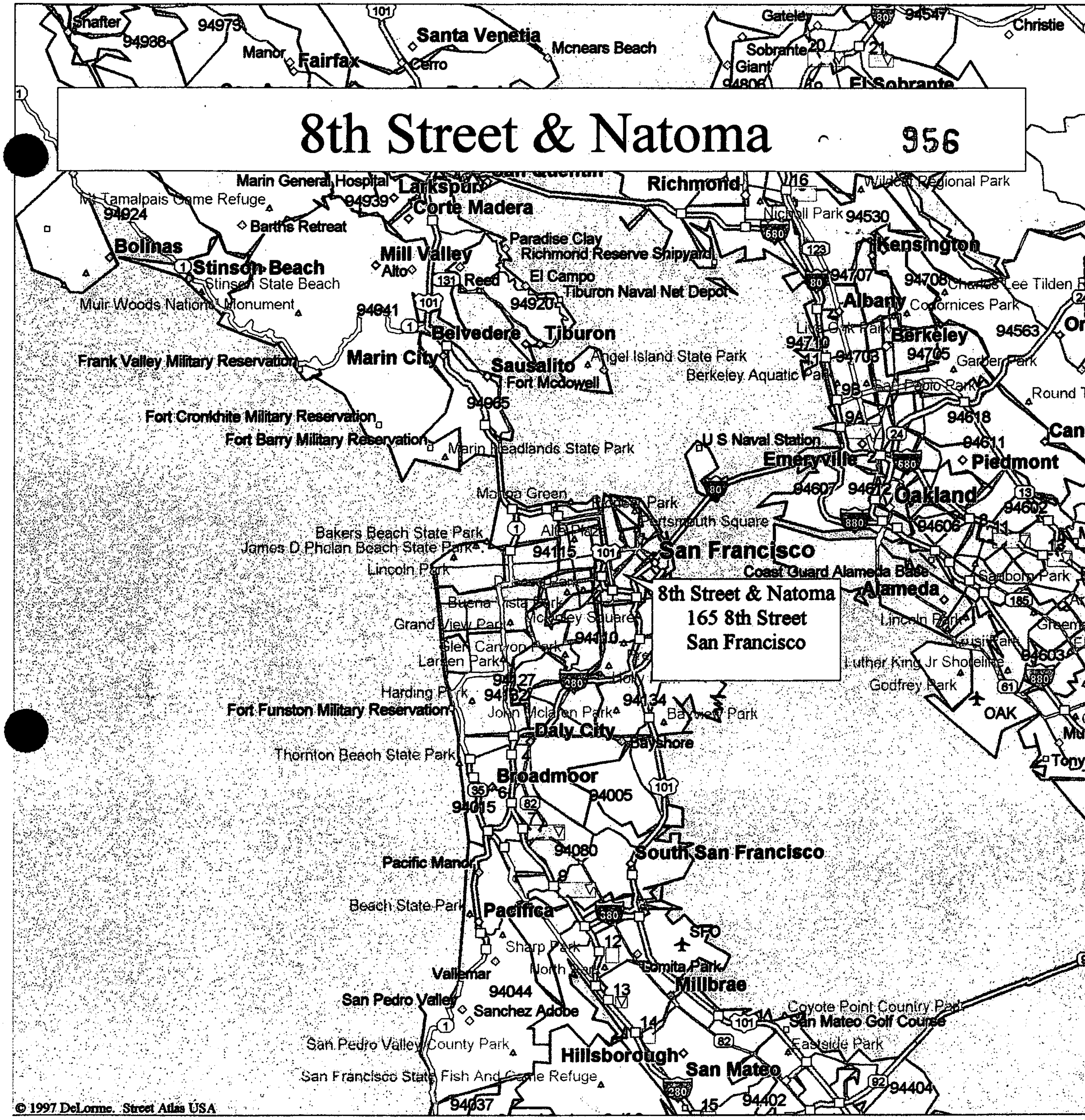
Type	Size	Number	AMI	Rent	Max Income
1 BR	612	2	50%	$702	$26,955
2 BR	950	2	50%	$636	$30,330
3 BR	1075	2	50%	$751	$33,705
4 BR	1,300	2	50%	$866	$37,450
1 BR	612	2	45%	$549	$23,580
2 BR	950	4	45%	$566	$26,955
3 BR	1075	17	45%	$666	$30,330
4 BR	1300	2	45%	$768	$33,705
3 BR	1075	8	35%	$498	$23,590
4 BR	1300	1	35%	$574	$26,215
2 BR	950	5	18%	$211	$10,782
2 BR	950	1	Manager		
		48			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$65,000	Cash
Finance Fee	0.00%	of Loan Amount	$0	Cash
Bond Origination Guarantee	NA		NA	
Loan Security	100.00%	of Loan Amount	$6,500,000	LOC

8th Street & Natoma

956



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Wed Jun 28 08:30 2000
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5 Miles

5 KM

Major Connector
State Route
Primary State Route
Interstate/Limited Access
Toll Highway
US Highway
Exit
Point of Interest

Small Town
Large City
Hospital
Park/Reservation
Exit/Gas
Exit/Lodging
Exit/Food
Mega City

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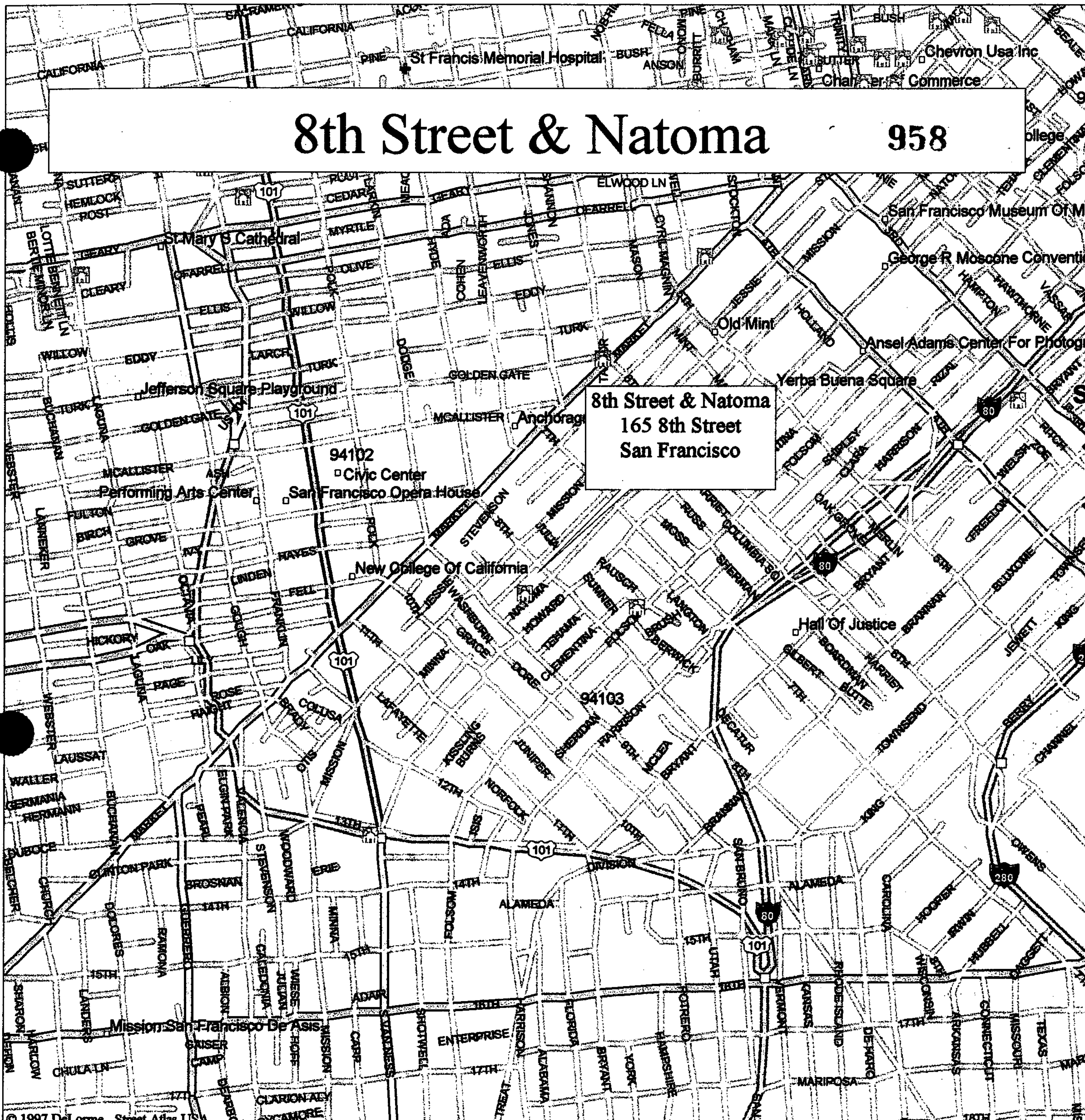
8th Street & Natoma 958



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Local Road
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Railroad
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Park/Reservation
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Water
City Park

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RESOLUTION 00-21

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Episcopal Community Services (the "Borrower") seeking a loan commitment under the Agency's Taxable Loan Program in the amount described herein, the proceeds of which are to be used to provide a loan for a development to be known as 8th & Natoma Apartments (the "Development"); and

WHEREAS, the application from the Borrower has requested that the Agency make the loan to Union Bank under the Agency's Taxable Loan Program for the Development; and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 26, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	LOAN AMOUNT
99-034-N	8th & Natoma Apartments San Francisco/San Francisco	48	$6,500,000

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Resolution 00-21
Page 2

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

3. All other material modifications to the final commitment, including increases in 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 00-21 adopted at a duly constituted meeting of the Board of the Agency held on July 13, 2000, at Sacramento, California.

ATTEST: ______________
Secretary

State of California

MEMORANDUM

To: Board of Directors Date: June 29, 2000

Ken Carlson

Linn Warren, Chief of Multifamily
Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING** *FINANCE* **AGENCY**

Subject: purchase of Fannie Mae's California Portfolio of FHA-Insured Section 236 Loans; and Approval of Form of New Bond Indenture
Resolution 00-22

This is to request approval for the Agency to purchase from the Federal National Mortgage Association ("Fannie Mae") its available portfolio of mortgage loans on properties in California with a current aggregate principal balance of less than $300 million and insured by the Federal Housing Administration under Section 236 of the National Housing Act of 1937 as amended. In addition, because the type of bond financing now recommended is different than had been previously approved, a new form of indenture is also offered for approval.

BACKGROUND:

In August of 1999 Fannie Mae issued notice to all state and local housing agencies that it was willing to sell loans from its portfolio of FHA Section 236 loans. The notice letter represented a "one-time" offer and made clear that the sale would have to be completed by August 1, 2000.

The Agency began formulating its new Business Plan at the beginning of this calendar year, and one element was the formalization of a retail and wholesale program strategy for our multifamily programs. It appeared that the Fannie Mae offer would be a logical activity to include in the wholesale program area. It also appeared to be an opportunity to more effectively engage a segment of the affordable housing market that would be desirable to preserve.

In late April, 2000, we engaged CSG Advisors, Incorporated, of San Francisco to assist us in determining whether it would be feasible and desirable for the Agency to buy the portfolio within the available timeframe. Their initial task was to identify the key factors for CHFA to consider in purchasing the portfolio, the critical risk characteristics of the portfolio, the potential programmatic obligations if CHFA became the owner of the loans, and the alternatives to buying the entire portfolio.

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By early June CSG had substantially finished its evaluation and identified a highly desirable course of action. We've attached the CSG report entitled "Feasibility of CHFA Purchase of Fannie Mae's Section 236 Loan Portfolio" as it thoroughly and succinctly covers the issues we considered in arriving at our recommendation. In summary, the findings and recommendations were that:

1. CHFA has two Business Plan purposes in purchasing the portfolio -- (1) retaining the Section 236 Interest Reduction Payment ("IRP") to maximize affordability and (2) expanding CHFA's involvement in preservation efforts.

2. In order to achieve this dual purpose, it is valuable and necessary to purchase the entire portfolio.

3. However, since there is now an alternative way to preserve the IRP without buying the loans, CHFA should only buy the portfolio if it can do so in a very safe, reasonable, low-cost and low-risk way.

4. In considering financing options, CHFA would want to be able to recover its costs and avoid interest rate and prepayment risk.

5. Using taxable financing from Fannie Mae is the simplest, least expensive and most feasible way to purchase the portfolio.

6. CHFA would not take on any FHA or HUD obligations by becoming the owner of the loans. CHFA's attorneys, however, need to determine if its statutory borrowing authority for this taxable financing imposes any additional requirements on CHFA with respect to these projects.

PROPOSAL:

As the financing alternatives were being considered, CSG learned that Fannie Mae's Public Finance Division was willing to provide "pass through" financing to us. This was of great interest as it would result in a much more efficient and effective transaction accomplishing both the Agency's and Fannie Mae's public purpose and financial objectives.

The "pass through" bonds will be privately placed with Fannie Mae, and the proceeds will simultaneously be used to acquire the FHA 236 California portfolio. CHFA will become the mortgagee of record, but the Servicing will continue to be done by GMAC (current servicer of this portfolio). Loan revenues will flow from the servicer through a bond trustee on a monthly basis to Fannie Mae, who will thereby be receiving the loan revenues (less servicing and other fees) as the bond investor rather than as mortgagee. A copy of the draft bond indenture for the proposed "Multifamily Loan Purchase Bonds, 2000 Issue A" is attached.

The remaining number of projects in the Fannie Mae portfolio should be about 250, which, as a result of prepayments, is slightly less than our estimates earlier this year. We discovered an error regarding the unpaid principal balance total: the correct amount at

March 2000 was approximately $274,000,000. The estimated costs for the Agency to do this transaction are $325,000, and this amount is intended to be recovered through a small annual cost recovery fee.

A Section 236 preservation financing plan is under development and will include initial communications to the project owners of CHFA's role as mortgagee and our interest in preserving these projects as affordable housing resources. We will also be analyzing the portfolio project data to determine what financing strategies would be most effective.

I [illegible] ATION

It is our recommendation that the Board adopt the attached Resolution 00-22 to authorize the acquisition of Fannie Mae's California FHA 236 loan portfolio and utilization of the "pass through" bond structure. This authorization would enable the Agency to pursue its preservation program objectives as the mortgagee of the loans without any additional real estate or interest rate risk.

Resolution 00-22 would amend Resolution 00-6A (the multifamily financing resolution adopted in January) to authorize the issuance of bonds under the form of the "pass-through" indenture, and it would authorize the purchase of up to $300,000,000 of FHA-insured loans from Fannie Mae's Section 236 portfolio and the execution of the loan sale agreement, servicing agreements. and other necessary agreements.

Attachments

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FEASIBILITY OF CHFA PURCHASE OF FANNIE MAE'S SECTION 236 LOAN PORTFOLIO

June 13,2000

CSG Advisors, Incorporated
1 Post Street, Suite 2130
San Francisco, CA 94104

INTRODUCTION

On behalf of the California Housing Finance Agency, **CSG** Advisors was asked to help CHFA determine whether it was feasible **to** purchase Fannie Mae's portfolio of California **FHA** Section **236** loans.

This work included identifying key factors for CHFA to consider in purchasing the portfolio, critical risk characteristics of the portfolio, potential programmatic obligations if CHFA becomes the owner of the loans, and alternatives **to** buying the entire portfolio. Because of Fannie Mae's August 1 deadline, an important issue **was** whether it would be feasible to buy the portfolio within that timeframe.

This report **summarizes** CSG's analysis of the portfolio purchase. It includes potential reasons for **buying the** loans: alternatives to purchasing **the** portfolio, including HUD's recent "decoupling" policy for Section **236** loans; financing risks, costs and other issues; and concludes with key findings and recommendations.

WHY PURCHASE *THE PORTFOLIO*

Background: The Portfolio And The Section 236 Program

The Portfolio. **As** of April, Fannie Mae's California portfolio included **283** individual Section **236** loans. The total unpaid principal balance was **$274** million. It is estimated that these loans represent more than half the outstanding Section **236** loans in the State.

With the exception of one loan maturing in **2001** and another in **2004,** all the loans in the portfolio mature between **2009** and **2017.** The outstanding loan balances are not large, with the majority ranging from $500,000 to **$2.5** million. The largest individual loan is ***$6.5*** million.

The interest rates on the loans **are 7%,** 7.5%, 8% **and 8.5%.** The particular rate depends **on** when **a** loan was originated. In all **cases,** however, when the projects were initially funded, HUD set aside a subsidy in an amount sufficient to reduce the borrower's payment to **1%** *for the* **full rem** *of the* loan. The result is that the borrower pays **1%** interest on its loan and the federal government pays the difference each month, **so** that the lender (currently Fannie Mae) receives the **full** rate.

Interest Reduction Payment. Tbe federal subsidy on each loan, called the "Interest Reduction Payment" or IRP, was fully budgeted at **the** time each loan was made and is not subject **to annual** Congressional appropriations.

In return for **this** federal subsidy, the borrower entered into a HUD regulatory agreement, essentially requiring ***that*** all tenants when they move into the building have incomes no greater than **80%** of median. In many cases, the projects later received Section **8** project-based assistance for some or all of the units.

Section 236 loans have maturities of up to 40 years and are eligible to prepay after 20 years. Borrowers are thus now eligible to prepay these loans and terminate the federal affordability restrictions.

Retaining the Interest Reduction Payment. Over the last few years, as the Section 236 projects became eligible to prepay their loans, state and local housing finance agencies have worked with non-profit and other buyers to purchase these projects, arrange new financing and provide continuing affordability.

As a tool to help in this effort, housing finance agencies asked that HUD permit the ***already budgeted* IRP** to continue even ***after*** the loan was prepaid. By being able to borrow against these ongoing federal subsidies, more funds would be available to help pay for the purchase, rehabilitation and affordability of the property. Federal legislation, under Section **236(b),** provided that ***the IRP*** could ***continue if a state or local government owned the Section 236 loan at the time it was prepaid as an FHA-insured loan.***

Reasons For Purchasing The Portfolio

Given this background, there are two reasons why CHFA would consider purchasing the Fannie Mae Section 236 portfolio.

1. *Maximize Public Benefit By Preserving The IRP*

By owning the Section 236 portfolio, CHFA would be the owner of each of the loans at the time of a restructuring. It would thus qualify under Section **236(b),** which allows the IRP to continue if (i) a state or local government **owns** the Section 236 mortgage at the time when the FHA insurance is terminated and (ii) there is a new IRP agreement to maintain low-income affordability.

Since no one can anticipate which loans will prepay and at what point, owning the entire portfolio allows CHFA to meet these Section **236(b)** requirements for all the loans in the portfolio that might eventually be restructured.

There has been an important change since CHFA initially contacted Fannie Mae about buying the portfolio. ***On*** May 16th, new federal regulations were issued that **now** provide ***an alternative*** to a state or local government actually having **to own** the loan when the FHA insurance is terminated.

Under this new alternative, Section **236(e)(2),** the **IRP** may continue after the Section 236 loan is prepaid if:

(i) the project owner enters into a new affordability agreement continuing for five years beyond the new IRP term (the same requirement as Section **236(b)), and**

(ii) a public agency, such **as CHFA,** agrees to oversee the new IRP affordability agreement.

Thus, purchasing the portfolio is now one way, but not the only way, to potentially retain the IRP.

2. *Expand CHFA's Involvement In Preservation*

As the state5 housing finance agency, CHFA is in a key position to work with project sellers and potential buyers to help restructure projects and preserve affordability. As the owner of a Section 236 loan, CHFA would haw a direct place "at the table", and be able to contact project owners (e.g. who would now be its borrowers) about CHFA financing programs. As the lender, it would be notified of an owner's intention to prepay a loan and remove affordability restrictions, and it could potentially help bring together interested buyers and sellers.

Thus, although the new federal regulations no longer require a public agency to own the loan when the FHA insurance is terminated. However, from CHFA's point of view there may still be important Business Plan and housing preservation reasons for CHFA to become the lender on these existing loans.

Conclusion

Given the fact that there is now an alternative under new federal regulations to directly owning the loans, CHFA should consider purchasing the portfolio only if it can do so in a very safe and reasonable way, *minimizing any cost or risk exposure to the Agency* while still taking on this new role.

ALTERNATIVES TO BUYING THE PORTFOLIO

There are several potential alternatives to directly buying the entire portfolio.

1. Instead of Purchasing the Portfolio, Rely on the Section 236(e)(2) Regulations

As stated above, under the new regulations, portfolio ownership is no longer the only way to retain the IRP. The IRP and project affordability can be preserved regardless of whether a public agency owns the loans. As sellers find buyers willing to preserve project affordability, the parties would follow the process outlined in the new Federal regulations to retain the IRP.

However, without the involvement of an agency such as CHFA, this process could be much more time-consuming and complex. There would not be an environment in which buyers and sellers have immediate and timely access to CHFA financing programs and tools for maximizing affordability and helping implement preservation projects.

2. *Seek To Buy Individual Loans From The Portfolio Only When Needed*

On behalf of CHFA, CSG contacted Fannie Mae to see if it would be willing to sell individual project loans to CHFA only when needed, i.e. only at the time a particular seller was ready to terminate the FHA insurance on a project loan. Thus CHFA would buy the loan only when a restructuring was already in process and the old loan was about to be paid off. This approach would avoid the need for Fannie Mae to sell off its entire California portfolio, and for CHFA to buy it.

Fannie Mae indicated, however, that it could only sell loans from this portfolio — whether one or all — only through August 1 of this year. Why should this be the case?

Over the last few years, various state and local housing finance agencies have purchased individual Section 236 loans from Fannie Mae as part of their preservation efforts. However, Fannie Mae's accountants determined that the continued "one-off" sale of loans from its national Section 236 portfolio would change the portfolio's investment classification. This would have significant accounting consequences for Fannie Mae, including regularly having to mark all loans to market.

To avoid this problem, Fannie Mae decided to create a single, national one-year window, from August 1,1999 through August 1, 2000, to sell loans to housing finance agencies. Agencies could buy individual loans or entire state portfolios during that period, but after the cut-off date Fannie Mae would no longer sell *any* loans.

Recognizing this overall concern, CSG asked Fannie Mae -- despite this general rule – if it couldn't still sell individual loans in the future to CHFA on the very day, or day before, a project owner prepaid the old loan. There could then be no question of the value of the loan at that time, and perhaps it would be possible to avoid the adverse accounting treatment. In mid-May, Fannie Mae responded that, regardless of the approach, it could only sell loans prior to the initial cut-off date.

Therefore, if CHFA wants to buy any loans, whether individual loans or the entire California portfolio, it will have to do so by Fannie Mae's cut-off date of August 1.

3. *Buy A Portion Of Tire Portfolio*

Given the magnitude of the portfolio – almost 300 loans, totaling over $270 million -- we then explored with CHFA staff the possibility of buying only a portion of the portfolio. For example, the Agency could buy only those loans where prepayment risk seemed higher, or only those in areas with high local rents.

Although there have been various studies, including one by the California Housing Partnership Corporation, of the likelihood of individual loan prepayment, the answer is no one really knows which loans will actually prepay. Even within a single city, it has been very difficult to predict what owners will do. Which owners will ultimately decide to sell their projects, or exchange partnership interests for interests in a larger Real Estate

Investment Trust, or keep the project and its affordability restrictions and 1% financing, or keep the project but without the affordability restrictions and 1% financing? Even in the same housing market, owner objectives vary (and may change over time). Tax law consequences, including capital gains and recapture upon sale, are often critical. The interests of the general partner and the limited partners may be quite different.

If it is difficult to predict within a single city and housing market, which Section 236 projects are the likeliest preservation candidates, it is almost impossible to do for a state as large and diverse as California.

After considering this more selective alternative, it seemed like it would make more sense, if CHFA wanted to be able to contact and work with the widest range of owners, to design an approach that would deal with the entire portfolio. The aim would be *to take advantage of the very size of the portfolio* to achieve economies of scale and establish a simple, overall approach to negotiations with Fannie Mae and financing that would *benefit* from the Agency dealing with the entire portfolio.

4. Find *Another Interim Purchaser*

Another possibility would be to identify a separate financial institution with the resources to buy the entire portfolio, but who would be willing -- as individual loans are about to prepay -- to sell the individual loans to CHFA just before the FHA insurance was terminated. Fannie Mae had been willing to do this in the past. Could CHFA find another financial institution that would be willing to buy, hold and ultimately transfer loans, without the new Fannie Mae restrictions?

Last fall, we had discussions with Federal Home Loan Bank about potentially financing a purchase of a Fannie Mae Section 236 portfolio. From those discussions it became clear that that FHLB would be interested in working on such an effort, but that the approach needed to be simple and fit in with traditional FHLB investment categories. For example, the FHLB could buy rated taxable bonds.

Given the August 1 deadline, the prospect of convincing a Federal Home Loan Bank or other major financial institution to take on the interim ownership of a portfolio of Section 236 loans seemed infeasible. In addition to the timeframe itself, key problems would be:

- The scale of the portfolio and investment needed, and the level of analysis and due diligence that would be *required;*
- The uncertain prepayment characteristics of the loans, making it hard to determine an appropriate expected yield;
- How those prepayment characteristics might be affected by the very efforts of CHFA to encourage preservation;

- The difference in expected yield between what Fannie Mae was likely to require as a seller (based on initial conversations) and what other buyers might expect; and

- The difficulties of having Fannie Mae, CHFA and a third party all work together quickly.

Finally, even if such an effort were successful, CHFA would *not* be the lender on the loans and so would not be in its desired position of contacting existing owners.

Conclusion

Given CHFA's dual purpose of retaining the IRP and playing a central role in the preservation effort, it seemed necessary to find a way to purchase the entire portfolio from Fannie Mae. The next question was whether this could be done in a way that would meet the Agency's objectives.

FINANCING THE PURCHASE

Key Criteria

Given the unusual nature of the transaction -- where CHFA's objectives *are* really simply to be able to hold loans during an interim period while designing preservation efforts -- several key criteria are important in deciding how to buy and finance the portfolio.

1. CHFA should seek either to ***avoid up-front costs or to minimize them and recover them over time from the financing.***

2. CHFA should *avoid prepayment risks.* The prepayment risk of these loans is highly unusual and uncertain. For example, the interest rate on the loans varies from 7% to 8.5%, but borrowers all pay the same 1%. Unlike almost all other loans, the overall interest rate has nothing to do with the likelihood of prepayment. If loans *are* bought at a higher price than the bonds, prepayments could result in significant financial loss. In particular, CHFA would not want to be in a position where it would lose money if it accomplished its very objective of helping structure successful preservation projects.

3. CHFA should ***avoid taking on interest rate risk,*** and not borrow short-term funds to buy the portfolio from Fannie Mae and then have to arrange longer-term financing.

4. The financing should be ***as simple and as quick to put together as possible,*** in order *to* meet the desired timeframe.

5. The financing needs to be *taxable,* because existing loans to for-profit owners *(until* restructuring or acquisition of the project by a new owner) do not qualify for tax-exempt financing.

6. Perhaps, most difficult, the financing would *need to fit the target prices and yield Fannie Mae wants on its portfolio.* As a seller, Fannie Mae has an expected high target yield. CHFA would need to find a taxable bond buyer or buyers at this scale of financing willing to pay a similar yield – and *able to quickly understand* the prepayment and other factors affecting Section 236 loans.

7. Given the recent volatility in the interest rate markets, CHFA would want *to* know it could make the deal work *at the time* it was actually priced, without needing extra money from the Agency.

Given these key objectives, it is also important to say what is *not* a critical objective. Generating significant fee income for CHFA is *not* possible, where the Agency does not bring the benefits of tax-exempt financing and there is unlikely to be any positive spread between Fannie Mae's price/yield objectives and those of a bond purchaser.

Thus, the aim was to find a simple, quick method of financing the loans with as little financial risk or cost as possible, either now or in the future. With no financial upside, the aim would be to avoid downside.

These, then, were the problems in thinking about a financing solution.

Alternatives

In working together with CHFA's finance staff, it became clear that there were three possible approaches to financing the portfolio:

- Third party fixed-rate taxable financing.
- Third party variable-rate taxable financing.
- Taxable financing directly from Fannie Mae.

Third Party Fixed Rate Financing. Prior to our work with CHFA on this portfolio; *CSG* had spent several months working with the Washington State Housing Finance Commission and a major investment banker in negotiating with Fannie Mae and considering financing options. Two things became apparent from the negotiations.

First, although Fannie Mae was making its Section 236 portfolios available for sale, its view of pricing would not necessarily be the same as that of potential purchasers. In fact, as loans at each interest rate were analyzed, Fannie Mae's prices appeared to be 1% to 2% above that reflected in the current market for Section 236 loans. This disparity reflects the inefficiencies in the market (which is not nearly as efficient as for taxable mortgage-backed securities). It also reflects Fannie Mae's experience as the long-term investor in these loans which, until recently, have had relatively few prepayments (since owners were locked-out from prepaying for the first 20 years). In other words, Fannie Mae might make loans available for sale, but its price might reflect its continuing expectations for simply holding the loans.

Second, it would be extremely difficult to find any taxable buyers willing to accept a yield that would meet Fannie Mae's prices. The required spread to Treasuries would be less than taxable buyers were expecting on mortgage-backed securities (which are far more liquid and have greater prepayment predictability). The required yield in mid-May would have been less than 7.5%. To find such buyers on a portfolio as large as California's seemed particularly difficult.

Third Party Variable Rate Financing. It is possible for CHFA to sell taxable variable rate debt to purchase the portfolio. The problem, however, would be how to avoid significant interest rate risk to the Agency. Given the fixed rates on the existing loans, the volatility and upward pressure on short-term taxable rates, and the great prepayment uncertainty about these loans, it would not be possible to buy an interest rate hedge that would eliminate significant interest rate risk exposure.

Given CHFA's objectives -- how to purchase the loans in a relatively costless and riskless way, without downside exposure, rather than simply using the Section 236(e)(2) decoupling regulations -- variable rate financing did not appear feasible.

Fannie Mae Financing. With Agency staff concurrence, CSG contacted Fannie Mae's public finance division to see if it would consider buying the taxable bonds. There seemed to be several possible advantages to CHFA if they would do so.

- A private placement to Fannie Mae would involve the lowest possible up-front costs.

- There would be almost no due diligence and disclosure issues on this very large portfolio, since Fannie Mae would be far more familiar with the portfolio than any other possible party.

- Fannie Mae would have an incentive to use its leverage with GMAC, the existing servicer of the entire national portfolio, to assign or transfer servicing for CHFA at the lowest possible annual cost.

- CHFA could avoid the difficult issues of loan price negotiation with Fannie Mae. As long as Fannie Mae was willing to buy the bonds at a yield that would support the loan purchase price, the price issues would be within Fannie Mae -- rather than vis-a-vis CHFA. (After several months of price negotiation for another state, we had not been able to influence Fannie Mae's pricing approach).

- Interest rate volatility would not affect the execution of the transaction.

- It could be possible to recover up-front issuance costs over time, using the same relatively fast prepayment speed assumptions Fannie Mae was already making in pricing the loans.

In presenting this approach to Fannie Mae's public finance division, we indicated the value for affordable housing of preserving the IRP on these projects. Moreover, Fannie Mae's purchase of these bonds would be an important tool for meeting its commitment to affordable housing finance in a direct and simple way. Finally, because CHFA's objectives were to avoid downside rather than to generate significant fee income, there would be little difference between what Fannie Mae would receive on the loans if it kept them and what it would earn on the taxable bonds.

Costs and Financial Issues of Fannie Mae Bond Approach

The term sheet for the proposed transaction reflects the following:

- The bonds would be privately placed with and held by Fannie Mae as a single purchaser.
- If Fannie Mae later wanted to divide and re-sell the bonds, Fannie Mae may be required to obtain and pay for a AA rating.
- Costs of issuance would be paid by CHFA but recovered through an annual fee, at the same effective interest rate as the bonds themselves (i.e., about 7.4%).
- The bonds will be monthly pass-through bonds, so that whatever funds are received on the various interest rate loans will be passed on to the bondholder net of fees.
- No 30-day payment lag need be funded, which would otherwise require about $1.5 million in additional up-front costs.
- Both the loans and the bonds will be priced at par, avoiding the need for any premiums, or discounts or mismatches between these prices.
- In addition to recovering costs of issuance, CHFA will receive a small annual fee of 1.5 basis points (about $40,000 per year initially).

KEY PROGRAMMATIC OBLIGATIONS

Two major questions were raised by CHFA in terms of programmatic obligations it might be required to address as owner of the portfolio.

FHA and HUD Requirements

First, does CHFA take on any additional burden under FHA or HUD regulations because it owns the loans? The answer to this is no. The owner of a Section 236 loan is simply the lender, and as long as FHA insurance is in place, HUD is responsible for administering the affordability/regulatory agreement for the Section 236 project. The owner of the loan is simply the recipient of the borrower's 1% payment and the IRP.

The actual servicing of the loans, including receiving payments from the borrower, obtaining the IRP, and dealing with delinquencies and defaults, would continue to be performed by the servicer, in the same way GMAC currently services for Fannie Mae.

CHFA Requirements

CHFA's legal department and bond counsel are reviewing CHFA's statutes to determine if the statutory authority to be used for this taxable borrowing will impose any requirements on CHFA with respect to these projects. This is an important issue and needs to be resolved before approving the transaction at the July Board meeting.

FINDINGS AND RECOMMENDATIONS

Based on the above analysis, we believe that:

1. CHFA has two Business Plan purposes in purchasing the portfolio -- retaining the IRP to maximize affordability and expanding CHFA's involvement in preservation efforts.

2. In order to achieve this dual purpose, it is valuable and necessary to purchase the entire portfolio.

3. However, since there is now an alternative way to preserve the IRP without buying the loans, CHFA should only buy the portfolio if it can do so in a very safe, reasonable, low-cost and low-risk way.

4. In considering financing options, CHFA would want to be able to recover its costs and avoid interest rate and prepayment risk.

5. Using taxable financing from Fannie Mae in the simplest, least expensive and most feasible way to purchase the portfolio.

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6. CHFA would not take on any FHA or HUD obligations by becoming the owner of the loans. CHFA's attorneys, however, need to determine if its statutory borrowing authority for this taxable financing imposes any additional requirements on CHFA with respect to these projects.

DRAFT-OH&S
06/26/00

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CALIFORNIA HOUSING FINANCE AGENCY

and

U.S. BANK TRUST NATIONAL ASSOCIATION

as Trustee

INDENTURE

Dated as of July 1,2000

CALIFORNIA HOUSING FINANCE AGENCY

MULTIFAMILY LOAN PURCHASE BONDS

2000 ISSUE A

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THIS INDENTURE, made and entered into as of the first day of July, 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 U.S. Bank Trust National Association, 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 king 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 Califanria), 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 the purchase from the Federal National Mortgage Association ("Fannie Mae") of a portfolio of multifamily rental housing loans insured by the Federal Housing Administration in accordance with Section 236 of the National Housing Act, and to that end has duly authorized the issuance of its bonds hereunder, and to secure the payment of the principal thereof and of the interest and premium (if any) thereon, and the observance of the covenants and conditions herein contained, has authorized the execution and delivery of this Indenture;

WHEREAS, said bonds are to be issued hereunder and designated the "California Housing Finance Agency Multifamily Loan Purchase Bonds" (herein called the "Bonds"), m an original aggregate principal amount of $[AMOUNT]";

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 Bonds, 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 authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and interest on the Bonds, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt whereof is hmby 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;

2. All of the Revenues (as hereinafter defined);

3. All proceeds of the sale of Bonds;

4. All Accounts, and the moneys and securities therein, other than the Costs of Issuance Subaccount of the Program Account and the Fees Account (as those terms are hereinafter defmed); 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 Tiustee and its successors in the trusts hereby created;

IN TRUST, NEVERTHELESS, and, except as expressly provided herein, for the qual and proportionate benefit and security of the holders from time to time of any of the Bonds, without preference, priority or distinction as to lien or otherwise of any one holder of Bonds over any other holder of Bonds by reason of priority in the issue, sale or negotiation thereof, or of any other cause, so that each holder of Bonds shall have the same rights, privileges and lien under and by virtue of this Indenture, so that every holder of Bonds 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 Bonds 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 Tiustee and with the holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 103. 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, subaccount or fund created by or pursuant to this Indenture.

"Act" means Parts 1 through 4 of Division 31 of the Health and Safety Code of the State, and all laws supplementary thereto and amendatory thereof.

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

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

"**Authorized Denomination**" means, at any given time, an amount equal to one percent (1.0%), or any integral multiple thereof, of the aggregate Principal Amount of all Bonds then outstanding.

"**Beneficial Owner**" means any beneficial owner of 2000 Issue A Bonds held in book-entry form.

"Bond" means any bond or bonds, as the case may be, authorized under, secured by, and issued pursuant to, this Indenture.

"**Bondholder**" or "**Holder**" or "**holder**" or any similar term means the person in whose name a Bond is registered.

"**Bond Payment Date**" means the first day of each calendar month, commencing September 1, 2000.

"**Borrower**" means the owner of a Development and the direct or indirect obligor on 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 of Minnesota are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, (iii) any day on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are authorized or obligated by law or executive order to be closed, or (iv) any day on which Fannie Mae is closed.

"**Cede**" means Cede & Co., the nominee of DTC, and any successor nominee of DTC.

"**Chairperson**" means the Chairperson of the Board of Directors 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 Bonds and the purchase of the Loans.

"**Costs of Issuance Subaccount**" means the Account so designated which is established and created by Section 402.

"**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.

"**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 in default in accordance with its terms.

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

"**Development**" means any housing development or multifamily rental housing (as those terms are used in the Act), financed by one or more Loans purchased with the proceeds of Bonds.

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

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Payments" means any payments made with respect to any Loan in order to obtain or maintain loan insurance, any subsidy and any fire or other hazard insurance and any payments required to be made with respect to any Loan for reserves or escrows for operating expenses or replacements or for taxes or other governmental charges or similar charges to be paid by a Borrower and required to be escrowed pending their application.

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

"Fannie Mae" means Federal National Mortgage Corporation, a corporation organized . and existing under the laws of the United States of America.

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

"Fiduciaries" means the Trustee, any Paying Agent and any co-trustee appointed hereunder,

"Fiscal Year" means any fiscal year (or other comparable period) of the Agency.

"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 Indentures.

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

"Interest Requirement" means, for all Bonds in the aggregate as of the first day of each calendar month, an amount equal to the *excess of*

(1) the sum of

(a) all amounts received by the Trustee through the twenty-fifth day of the next preceding calendar month with respect to interest due on the Loans (net of any fees payable to the Loan Servicer with respect to the Loans) through the first day of the next preceding calendar month, plus

(b) all amounts received by the Trustee with respect to interest earned on amounts in the Interest Account and the Principal Account through the twenty-fifth day of the next preceding calendar month, plus

(c) all amounts received by the Trustee with respect to interest earned on amounts held by the Loan Servicer under the Servicing Agreement through the twenty-fifth day of the next preceding calendar month,

in each case to the extent not previously paid to the Bondholders; *over*

(2) the sum of

(i) the amount of the Trustee's Fee accrued through the first day of the next preceding calendar month and not previously paid to the Trustee, plus

(ii) the amount of the Issuer's Fee accrued through the first day of the next preceding calendar month and not previously paid to the Issuer.

"**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; (2) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by Federal Land Banks or Federal Intermediate Credit Banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and Banks for Cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of Fannie Mae or of the Government National Mortgage Association, established under the National Housing Act, as amended, bonds of any Federal Home Loan Bank established under said act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and interest, bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended, except, in each case, securities evidencing ownership interests in specified portions of the interest on or principal of such obligations; (3) commercial paper rated within the highest two rating categories of at least one nationally recognized rating agency and issued by corporations (a) organized and operating within the United States; and (b) having total assets in excess of five hundred million dollars ($500,000,000); (4) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the highest two rating categories by at least one nationally recognized rating agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System, and negotiable certificates of deposits issued by a nationally or state-chartered bank or savings and loan association which are insured by federal deposit insurance, or which are issued by an institution the general obligations of which are rated within the highest two rating categories by at least one nationally recognized rating agency; (5) bonds, debentures, and notes issued by corporations organized and operating within the United States and rated within the highest two rating categories by at least one nationally recognized rating agency; (6) repurchase agreements or reverse repurchase agreements, with nationally recognized broker-dealers which are agreements for the purchase or sale of Investment Obligations pursuant to which the seller or buyer agrees to repurchase or sell back such securities on or before a specified date and for a specified amount, which seller or buyer has outstanding long-term indebtedness which are rated within the highest two rating categories by at least one nationally recognized rating agency; (7) investment agreements with corporations, financial institutions or national associations within the United States the general obligations of which (or, if payment of such investment agreement is guaranteed, the general obligations of the guarantor) are rated within the highest two rating categories by at least one nationally recognized rating agency; (8) interest bearing accounts in State or national banks or other financial institutions having principal offices in the State (including those of the Trustee or its affiliates) which, to the extent they are not insured by federal deposit insurance, are issued by an institution the general obligations of which are rated within the highest two rating categories by at least one nationally recognized rating agency; (9) interests in any short term investment fund (including those of the Trustee or its affiliates) restricted to investment in obligations described in any of clauses (1) through (5) of this definition and which is rated within the highest two rating categories by at least one nationally recognized rating agency; or (10) deposits in the Surplus Money Investment Fund referred to in Section 5 1003 of the Act.

"Issue Date" means, with respect to the Bonds, July 1,2000.

"Issuer's Fee" means a monthly distribution to the Issuer, payable on the first day of each calendar month, commencing September 1, 2000, in an amount equal to one-twelfth (1/12) of [0.045]% of the Rincipal Balance of the Loans as of the first day of the next preceding calendar month.

"Loan" means a loan made, purchased or otherwise acquired with the proceeds of Bonds, for the constructi'on or permanent financing of a Development, and for which the obligation to repay is evidenced by a Note and secured by one or more Deeds of Trust. All Loans in the Trust Estate as of the date of issuance of the Bonds are listed on Exhibit B attached hereto and by this reference made a part hereof.

"Loan Documents" means, with respect to any particular Loan, the Note, Deed of Trust, any loan agreement, any regulatory agreement and all other agreements of the Borrower relating to a Loan and of which HUD, the Agency or the Trustee is a party or a beneficiary.

"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 Principal 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, and including any disposition pursuant to Section 606); (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.

"Loan Servicer" means [GMAC Commercial Mortgage Corp.], or its successor or successors as servicer or servicers, as the case may be, of the Loans.

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

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

"Outstanding", when used with reference to bonds and as of any particular date, describes all Bonds theretofore and thereupon being delivered except (1) any Bond 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 bond paid or deemed to be paid within the meaning of Section 1201, and (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Sections 305,306,308 or 906.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as a securities depository.

"Participation Percentage" means, as of any particular date of calculation with respect to any particular Bond, the ratio of the Principal Amount of such Bond on such date to the Rincipal Amount of all Bonds on such date.

"Paying Agent" means any paying agent for Bonds appointed pursuant to or as provided in Section 202(D) or Section 1108, 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.

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

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

. . means, as of any particular date of calculation with respect to any particular Bond, the principal amount of such Bond Outstanding as of such date of calculation.

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

"Principal Office" means, when used with respect to a particular Fiduciary or the Loan Servicer, the office of such Fiduciary or Loan Servicer so designated herein or in any notice given by such Fiduciary or Loan Servicer to the Agency, and in the case of the Trustee, as of the date hereof, is at the applicable address set forth in Section 1209.

"Principal Requirement" means, with respect to all Bonds m the aggregate as of each Bond Payment Date, an amount equal to all amounts received by the Trustee with respect to principal of the Loans (including any Loan Principal Prepayments) through the close of business on the Record Date for such Bond Payment Date to the extent not previously paid to the Bondholders.

"Program" means the Agency's program of making or acquiring Loans pursuant to this Indenture.

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

"Record Date" means the twenty-fifth (25th) day (whether or not a Business Day) immediately preceding each Bond Payment Date.

"Redemption Price", when used with respect to a particular Bond or portion thereof, means the Principal Amount of such Bond or portion to be redeemed plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

"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 Repayments, and (2) all interest, profits or other income derived from the investment of amounts in any Account; but "Revenues" shall not include (a) Escrow Payments, (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 principal 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, or (d) servicing fees, insurance premiums or other similar fees or premiums imposed by the Agency.

"Servicing Agreement" means that certain Servicing Agreement, dated as of July 1, 2000, between the Agency and the Loan Servicer, as it may be amended from time to time, or any other agreement serving the same purpose with respect to the Loans.

"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.

"Trustee" means U.S. Bank Trust National Association, in San Francisco, California, or its successor as Trustee hereunder as provided in Article XI.

"Trustee's Fee" means the fee of the Trustee and Paying Agent, payable on the first day of each calendar month, commencing September 1, 2000, in an amount not to exceed in the aggregate with respect to any month one-twelfth (1/12) of [0.015]% of the Principal Balance of the Loans as of the first day of the next preceding calendar month.

"Trust Estate" has the meaning given to such term in the granting clauses of this Indenture.

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

Words importing any particular gender include all other genders.

Words importing the maturity or coming due of a Bond do not include or connote the coming due of such Bond upon redemption thereof prior to maturity.

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, and the Bondholders, including any subrogee or assignee of the Bondholders, any right, remedy or claim under or by reason of this Indenture, and any covenants, stipulations, obligations, promises and agreements in this Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Fiduciaries and the Bondholders, including any subrogee or assignee of the Bondholders.

Section 104. Governing 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 Bonds.

Section 106. . 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 far the requirements of Section 603 and for the protection of the rights of every bolder of Bonds.

ARTICLE II

AUTHORIZATION OF BONDS

Section 201. Authorization of Bonds. In order to provide sufficient funds far the purposes of this Indenture, Bonds of the Agency, each to be designated "California Housing Finance Agency Multifamily Loan purchase Bonds, 2000 Issue A**are hereby authorized to be issued in an original Principal Amount equal to $[AMOUNT]. The Agency is of the opinion and hereby ratifies its previous determination that the issuance of Bonds in such principal amount is necessary to provide sufficient funds at this time to be used and expended to acquire loans made far the purpose of financing or refinancing the acquisition, construction, rehabilitation or development of multifamily rental housing. The Bonds are being issued to provide funds to be credited to the Program Account established by this Indenture.

Section 202. Issuance and Delivery of Bonds. The Bonds shall be authenticated and delivered by the Trustee upon the written instructions of the Agency contained in an Officer's Certificate and in exchange for the purchase price specified in such Officer's Certificate.

ARTICLEIII

TERMS AND PROVISIONS OF BONDS

Section 301. Terms of the Bonds. (A) Issue Date: Maturity Date. The Bonds shall be dated July 1 ,2000, their "Issue Date", and shall mature (subject to prior payment as provided in subsection (D) of this Section) on August 1,2017.

(B) Bond Payment Dates and Record Dates. Interest on the Bonds shall be payable on the first day of each calendar month, each a "Bond Payment Date". The "Record Dates" for the Bonds shall be as set forth in the definition in Section 101, i.e., the close of business on the twenty-fifth (25th) day (whether or not a Business Day) immediately preceding each Bond Payment Date.

(C) Manner of Determination of Amount of Interest. Each Bond shall bear interest payable on each Bond Payment Date m an mount equal to such Bond's Participation Percentage times the Interest Requirement for all Bonds on such Bond Payment Date.

(D) Manner of Determination of Principal Payments and Principal Amounts Principal of each Bond shall be payable on each Bond Payment Date in an amount equal to such Bond's Participation Percentage times the Principal Requirement far all Bonds on such Bond Payment Date. The aggregate Principal Amount of all Bonds Outstanding as of the close of business on each Bond Payment

Date shall be equal to the aggregate Principal Balance of all Loans as of the close of business on the Record Date for such Bond Payment Date.

(E) Paying Agent. The Trustee is hereby appointed Paying Agent for the Bonds at its Principal Office in San Francisco, California.

(F) No Optional Redemption. The Bonds will not be subject to optional redemption prior to maturity, *provided, however,* that principal of the Bonds shall be payable from time to time in accordance with subsection (C) of this Section from Loan Principal Prepayments constituting all or part of the Principal Requirement on the Bonds and derived from transactions permitted by Section 606.

Section 302. Form and Payment of the Bonds. (A) Denominations and Form of the Bonds. The Bonds shall be issued only as fully registered Bonds in Authorized Denominations, as defmed in Section 101. The Bonds and the Trustee's certificate of authentication and registration to appear thereon are to be in substantially the farms set forth in Exhibit A hereto, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required hereby. Any portion of the text of any Bond may be printed on the back of such Bond and in its place may be inserted a paragraph referring to such text. The Bonds may be printed, lithographed, typewritten or otherwise reproduced.

(B) Numbering. The Bonds shall be numbered from 1 upward in the order of their issuance, preceded by the letter designation "A".

(C) Payment of the Bonds. The Bonds shall be payable, with respect to interest and principal, only in lawful money of the United States of America. Each Bond shall be entitled to the payment of all interest and principal that is payable on each Bond Payment Date that is after the Bond Payment Date next preceding the date of registration thereof and before the date of cancellation of such Bond[, unless it is registered on or before a Bond Payment Date for such Bond and after the Record Date for such Bond Payment Date, in which event it shall be entitled to the payment of interest and principal that is payable on each Bond Payment Date that is after the first Bond Payment Date after such Record Date and before the date of cancellation of such Bond). Payment of the principal of and interest on any Bond shall be made to the person whose name appears on the bond registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date next preceding the Bond Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed to such Bondholder at such Bondholder's address as it appears on such registration books.

(D) Payment by Wire upon Request. Upon the written request, received on or before the applicable Record Date, of a registered owner of Bonds with an aggregate Participation Percentage greater than one percent (1.0%), payments of interest and principal on such Bonds shall be made by wire transfer from the Trustee to the registered owner of such Bonds. Each payment of interest or principal on Bonds, whether by check or wire transfer, shall be accompanied by information specifying the amount and the CUSIP number (if available).

Section 303. Legends. The Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the Agency prior to the delivery thereof.

Section 304. Execution. (A) The Bonds 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 Bonds or whose signature appears on any of the Bonds shall cease to be such Authorized Officers before the Bonds so signed and sealed shall have been actually authenticated by the Trustee or delivered or caused to be delivered by the Trustee or issued by the Agency, such Bonds 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 Bonds or whose signatures appear on any of the Bonds had not ceased to hold such offices or be so employed until such delivery. Any Bond may be signed and sealed on behalf of the Agency by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Agency, although at the Issue Date of such Bond such persons may not have been so authorized or have held such office or employment.

(B) The Bonds shall bear thereon a certificate of authentication executed by the Trustee. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Indenture, and no Bond shall be valid for any purpose under this Indenture until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of authentication upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly issued under this Indenture and that the holder thereof is entitled to the benefits of this Indenture.

Section 305. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 307, by the Bondholder in whose name it is registered, in person or by such Bondholder's duly authorized attorney, upon surrender of such Bond for cancellation, at the Principal Office of the Trustee, accompanied by a written, duly executed instrument of transfer in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Bond for a like aggregate principal amount.

The Trustee may charge a reasonable sum for each new Bond authenticated and delivered upon any transfer. The Trustee shall also require the payment by any Bondholder requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

[No transfer of any Bond shall be required during the period from and including each Record Date to and including the related Bond Payment Date.]

Section 306. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations. The Trustee may charge a reasonable sum for each new authenticated Bond delivered upon any exchange except in the case of any exchange of temporary Bonds for definitive Bonds. The Trustee shall also require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

[No exchange of any Bond shall be required during the period from and including each Record Date to and including the related Bond Payment Date.)

Section 307. Bond Register. The Trustee will keep or cause to be kept, at the Principal Office of the Trustee, sufficient books for the registration and transfer of the Bonds, which shall at all reasonable times be open to inspection by the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable rules as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided. The Agency and the Trustee may treat the registered owner of tach Bond as the absolute owner thereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

Section 308. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Agency, at the expense of the holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like denomination and number in exchange and substitution for the Bond so mutilated, but only upon surrender of such Bond at the Principal office of the Trustee. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Agency. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to it shall be given, the Agency, at the expense of the Bondholder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like denomination and number. The Agency may require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered under this Section and of the expenses which may be incurred by the Agency and the Trustee in the premises. Any Bond authenticated and delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the Bond 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 Bonds secured by this Indenture.

Section 309. Book-Entry System Registration. [Does DTC have a program or mechanism to handle bonds (pass-through certificates) structured in this manner?] (A) The Bonds shall be initially issued in the form of one separate, single, fully-registered Bond. Upon initial issuance, the ownership of the Bonds shall be registered m the registration books kept by the Trustee in the name of Cede, as nominee of DTC. Except as provided in paragraphs (B) and (D) of this Section, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC.

(B) With respect to the Bonds registered in the registration 'books kept by the Trustee m the name of Cede, as nominee of DTC, the Agency, the Trustee and the Paying Agent shall have no responsibility or obligation to any participant or to any person on behalf of which a participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Agency, the Paying Agent and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant or any other person, other than a Bondholder, as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, or (iii) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Trustee, of any amount with respect to principal of or interest on the Bonds. The Agency, the Paying Agent and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee and the Paying Agent shall pay all principal of and interest on the Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Trustee, as provided in Section 307, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the registration books kept by the Trustee, shall receive a certificated Bond evidencing the obligation of the Agency to make payments of principal and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has detennined to substitute a new nominee in place of Cede, and subject to the provisions herein with respect to Record Dates, the word "Cede" in this Indenture shall refer to such new nominee of DTC; and upon receipt of such a notice the Tiustee shall promptly deliver a copy of the same to the Agency.

(C) No letter or other agreement required to be delivered to DTC by the Agency or the Trustee shall in any way limit the provisions of paragraph (B) of this Section or in any other way impose upon the Agency any obligation whatsoever with respect to persons having interests in the Bonds other than the Bondholders, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the Agency in any such letter or agreement with respect to the Paying Agent and the Tiustee, respectively, to at all times be complied with.

(D) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Agency and the **Trustee** and discharging its responsibilities with respect thereto under applicable law. The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds. Upon any such discontinuation or termination of the services of DTC with respect to the Bonds, if no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Agency, is willing and able to undertake such functions upon reasonable and customary terms, the Agency is obligated to deliver Bond certificates at the expense of the Beneficial Owners of the Bonds, and the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture. .

(E) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner agreed upon by DTC and the Trustee. Beneficial *Owners* shall have no lien on or security interest in any rebate or refund paid by DTC to the Trustee which arises from the payment by the Trustee of principal of or interest on the Bonds in immediately available funds to DTC.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

Section 401. <u>Application of Bond Proceeds</u>. The Tiustee shall apply the proceeds of the Bonds and certain other moneys, as follows:

(A) The proceeds from the sale of the Bonds, m the aggregate amount of $[AMOUNT], shall be applied as follows:

(1) $[ACCRUED, PROBABLY NONE], representing accrued mterest on the Bonds to the date of delivery, shall be deposited in the Interest Account.

(2) **$[AMOUNT]** shall be **deposited** in the Program Account for the purpose of purchasing the Loans.

(B) Moneys received from the Agency in the aggregate amount of $[COI AMOUNT] shall be deposited in the *Costs* of Issuance Subaccount.

The Tiustee may establish such temporary accounts or subaccounts on its records as are necessary or appropriate to facilitate such deposits and transfers.

Section 402. Establishment and Application of Program Account and the Costs of Issuance Subaccount. (A) The Agency hereby establishes and creates a separate trust account to be held in trust by the Trustee and designated the "Program Account" and a subaccount therein designated the "Costs of Issuance Subaccount*'.

(B) Except as otherwise provided herein, moneys m the Program Account shall be used solely for (1) the purchase of the Loans upon requisition of the Agency filed with the Trustee in the form of an Officer's certificate. The Agency shall maintain accurate records of all such requisitions, a description of the Loans financed pursuant hereto and the purchase price and Principal Balance of such Loans as of their date of purchase. In the event that there are amounts remaining in the Program Account on the date three months after the date of issuance of the Bonds and that were deposited therein for the purpose of purchasing Loans, the Trustee shall transfer such amounts to the Principal Account and shall for all purposes treat such amounts as if they were Loan Principal Prepayments.

(C) Moneys m the Costs of Issuance Subaccount shall be used solely for the payment of Costs of Issuance of the Bonds upon requisition of the Agency filed with the Trustee in the form of an Officer's Certificate. In the event that there are amounts remaining m the Costs of Issuance Subaccount on the date three months after the date of issuance of the Bonds, the Trustee shall transfer such amounts to the Agency free and clear of the lien of the Indenture.

(D) No amount shall be charged against the Program Account except as expressly provided in this Article.

ARTICLEV

LIMITED OBLIGATIONS; PERFECTION OF PLEDGE; APPLICATION OF REVENUES AND OTHER MONEYS

Section 501. Limited Obligations: Perfection of Pledge. (A) The principal of and interest on the Bonds shall be limited obligations of the Agency payable solely out of the Trust Estate which is hereby pledged to secure the payment of the principal of and interest on the Bonds, 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.

(B) The pledge hereby made and the security interest granted by the granting clauses of this Indenture shall attach, be perfected and be valid and binding from and after the time of the initial delivery by the Tiustee of the Bonds without any further action on the part of the Agency. The proceeds of the sale of the Bonds, the Revenues, the 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 for Revenues. The Agency hereby establishes and creates the following Accounts:

(A) the Fees Account;

(B) the Interest Account; and

(C) the Rincipal Account.

Section 503. Deposit of Revenues. (A) All Revenues collected or received by, or deposited with, the Trustee shall be held, disbursed, allocated and applied by the Trustee solely as provided in this Indenture. 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].

(B) All Revenues shall be credited by the Trustee upon receipt by the Trustee as follows:

(1) all amounts received by the Trustee with respect to interest accrued on the Loans (net of any fees payable to the Loan Servicer with respect to the Loans), mterest eamed on amounts in the Interest Account and the Principal Account, and [interest earned on amounts held by the Loan Servicer under the Servicing Agreement] shall be credited during each calendar month in the following amounts to the following accounts in the following order of priority, the requirements of each such Account (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, to the Fees Account, to the extent necessary to increase the amount therein so that it equals the sum of (a) the Trustee's Fee payable on the next succeeding Bond Payment Date, and (b) the Issuer's Fee payable on the next succeeding Bond Payment Date, and

Second, to the Interest Account, the balance of such amounts, constituting the Interest Requirement payable on the next succeeding Bond Payment Date.

(2) all amounts received by the Trustee with respect to principal of the Loans (including any Loan Principal Repayments) shall be credited during each calendar month to the Principal Account.

Section 504. Application of Fees Account. (A) The Trustee shall charge the Fees Account, on each Bond Payment Date, an amount qual to the Trustee's Fee then due and payable and the Issuer's Fee then due and payable, and shall cause the same to be applied to the payment of such Trustee's Fee and Issuer's Fee when due.

(B) No amount shall be charged against the Fees Account except as expressly provided in this Article V.

Section 505. Application of Interest Account. (A) The Trustee shall charge the Interest Account, on each Band Payment Date, an amount equal to the unpaid Interest Requirements due on the Bonds on such Bond Payment Date, and shall cause the same to be applied to the payment of such Interest Requirements when due. The Trustee is hereby authorized to withdraw funds from the Interest Account and transmit funds to the Paying Agents in order to make such payments.

(B) No amount shall be charged against the Interest Account except as expressly provided in this Article V.

Section 506. **Application of Principal Account**. (A) The Trustee shall charge the Principal Account, on each Bond Payment Date, an amount equal to the unpaid principal Requirements due on the Bonds on such Bond Payment Date, and shall cause the same to be applied to the payment of such principal Requirements when due. The Trustee is hereby authorized to withdraw funds from the Principal Account and transmit funds to the Paying Agents in order to make such payments.

(B) No amount shall be charged against the principal Account except as expressly provided in this Article V.

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 each 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 or subaccount 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.

(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 COVENANTS OF AGENCY

Section 601. **Payment of Bonds**. Subject to the other provisions of this Indenture, the Agency shall duly and punctually pay or cause to be paid the principal of and interest on the Bonds, at the dates and places and in the manner mentioned in the Bonds, 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 securities therein except the pledge, security interest and lien created hereby for the payment of the Bonds.

Section 603. Compliance with Conditions Precedent. Upon the date of issuance of any of the Bonds, 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 Bonds shall exist, shall have happened and shall have been performed, and such Bonds, together with all other indebtedness of the Agency, shall be within every debt and other limit prescribed by law.

Section 604. Program Covenants. (A) The Agency shall purchase the 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 purchased by the Agency with amounts in the Program Account unless the Trustee has received an Officer's Certificate to the effect that the Agency believes on the basis of the information available to it that the Loan complies with the following terms, conditions, provisions and limitations with respect to such Loan and the related Borrower, Development and Loan Documents:

(1) The Borrower and the Development are eligible under the Act, and the Deed of Trust has been executed and recorded in accordance with the requirements of existing laws.

(2) The Deed of Trust constitutes and creates a lien (subject to Permitted Encumbrances) on the real property or interest therein of the Development.

(3) There is title insurance in the full amount of the Loan insuring that the Deed of Trust constitutes and creates a lien (subject to Permitted Encumbrances) on the real property or interest therein of such Development.

(4) The Loan is insured by HUD under Section 236 of the National Housing Act of 1937, as amended.

Such Officer's Certificate shall not be deemed to be a representation or warranty of the Agency to the Bondholders in any respect concerning the Loans.

(C) The Agency may not consent to a 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 Note or Deed of Trust unless such modification is either (1) approved in writing by HUD and the holders of a majority in aggregate Principal Amount of the Bonds, or (2) required by HUD under the applicable HUD regulations.

(D) [The Agency may not amend or modify the Servicing Agreement in any manner that would have a material adverse effect on Bondholders without the consent of the holders of a majority in aggregate Principal Amount of the Bonds. If the Servicing Agreement is terminated for any reason prior to the payment in full of all of the Loans, the Agency shall use reasonable efforts to obtain a replacement Servicer that is qualified under applicable HUD regulations and, if practicable, is willing to serve as Servicer for no greater compensation than the original Servicer. If the Agency cannot, after reasonable efforts, engage a qualified replacement Servicer at no greater cost than for the original

Servicer, the Agency shall solicit proposals (using a description of Services comparable, in the Agency's reasonable judgment, to the services provided under the original Servicing Agreement) from at least three qualified servicers and shall select the most cost effective proposal offering to service the Loans pursuant to such description of services. Notwithstanding the foregoing sentences of this paragraph, if the Servicing Agreement is terminated for any reason, the Agency may service the Loans itself under the same requirements, terms (including compensation), conditions and obligations as were (1) undertaken by the original Servicer or (2) proposed in the most cost effective proposal received in response to such a request for proposals.]

Section 605. Disposition of Defaulted Loans. The Agency shall cause the Loan Servicer to 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, including but not limited to the prompt filing of notices of default, claims payment and extensions for filing claims with HUD. The Agency shall take such actions as may be necessary to obtain payment of HUD insurance benefits in cash, rather than in debentures.

Section 606. No Sale of Loans to Third Parties: Certain Transactions Expressly Permitted. The Agency may not sell or otherwise transfer a Loan except in connection with obtaining the benefit of any insurance of such Loan or guarantee thereof or unless such Loan is a Defaulted Loan. However, nothing in this Indenture or any other document or agreement relating to the Bonds shall be construed to prevent the Agency from making a loan to any Borrower to refinance a Development, making a loan to a purchaser of any Development, or otherwise participating in or inducing the prepayment of any Loan. In addition, the Agency may also release any Loan and transfer it out of the Trust Estate free and clear of the lien of this Indenture in exchange for depositing in the Principal Account an amount equal to the Principal Balance of the Loan and in the Interest Account an amount equal to accrued interest on the Loan as of the date of release, but only as part of a transaction or series of transactions described by an Officer's Certificate which specifies that the purpose of such transaction or transactions is to extend the term of the low income occupancy requirements of the related Development or to target the low income occupancy requirements of the related Development to tenants with lower incomes than would otherwise apply.

Section 607. Assignment of Loans upon Event of Default. Upon the happening of an Event of Default specified in Section 1002 and at the written request of the Tiustee or of the Holders of not less than twenty-five percent (25%) m Principal Amount of the Outstanding Bonds, subject to the approval of HUD, the Agency shall assign any or all of the Loans held by the Agency to the Trustee; provided, however, if the Trustee and the Bondholders are restored to their positions in accordance with Section 1015, the Trustee shall assign such Loans back to the Agency.

Section 608. Extension of Payment of Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds, or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default hereunder to the benefit hereof or to any payment out of any assets of the Agency or the funds (except funds held m trust for the payment of particular Bonds or pursuant hereto) held by any Fiduciary, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

Section 609. 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 Bonds, prior to or on a parity with the lien of this Indenture.

(B) The Agency expressly reserves the right to adopt one or more general or special bond 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 bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, are payable from moneys which are not Revenues as such term is defined in this Indenture.

Section 610. **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 resolutions, 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 Bonds, 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 611. **Powers as to Bonds and Pledge; Limited Obligations.** The Agency is duly authorized pursuant to law to authorize and issue the Bonds, to enter into this Indenture and to pledge and grant a security interest in the Revenues, the proceeds of the Bonds, 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 Bonds, 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 Bonds and the provisions hereof are and will be the valid and binding limited 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 Bonds, the Loans and the Accounts so pledged hereunder and all the rights of the Bondholders hereunder against all claims and demands of all persons whomsoever. The Bonds 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 612. **State Pledge.** In accordance with the Act, the following pledge is included herein:

The State pledges with the Holders of any Bonds 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 Bonds, 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 613. **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 Bonds, the Loans and the Accounts. Such books shall be open to inspection at reasonable times by the

Trustee and any Holders of not less than five percent (5%) in Rincipal Amount of Bonds then Outstanding.

ARTICLE VII

[RESERVED]

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 801. Supplemental Indentures Effective upon Execution. For any one or more of the following purposes and at any time or from 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, [by Fannie Mae if and for so long as it is the sole Beneficial Owner of the Bonds] and by the Trustee, shall be fully effective m accordance with its terms:

(A) To add to the covenants or agreements of the Agency herein contained other covenants or agreements to be observed by the Agency which are not materially adverse to the interests of the Bondholders;

(B) To add to the limitations or restrictions herein contained other limitations or restrictions to be observed by the Agency which are not contrary to or inconsistent with the provisions hereof as theretofore in effect;

(C) To surrender any right, power or privilege reserved to or conferred upon the Agency herein, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained herein;

(D) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture, of the Revenues or any other moneys, securities or funds;

(E) To appoint a successor Fiduciary;

(F) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein,

(G) To insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not materially adverse to the interests of the Bondholders;

(H) To provide for the issuance of bearer Bonds or coupon Bonds, registrable as to principal, subject to any applicable requirements of law;

(I) To provide far the issuance of book-entry form Bonds a to modify the provisions with respect thereto;

(J) 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;

(K) To make any other change which does not materially adversely affect the interests of the Bondholders; or

Section 802. Supplemental Indentures Effective with Consent of Bondholders. Except as provided by Section 801, at any time or from time to time, a Supplemental Indenture amending or supplementing this Indenture may be entered into by the Agency and the Trustee modifying any of the provisions of this Indenture or releasing the Agency from any of the obligations, covenants, agreements, limitations, conditions or restrictions herein contained, but no such Supplemental Indenture shall be effective until the execution and delivery thereof by an Authorized Officer and by the Trustee and, unless no Bonds delivered by the! Agency prior to the adoption of such Supplemental Indenture remain Outstanding at the time it becomes effective, such Supplemental Indenture is consented to by or on behalf of Bondholders in accordance with and subject to the provisions of Article IX.

ARTICLE IX

AMENDMENTS

Section 901. Mailing of Notices, Any provision in this Article relative to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed, postage prepaid, only to the Trustee, to each registered owner of any Bonds then Outstanding at its last address, if any, appearing upon the registry books.

Section 902. Powers of Amendment. In addition to those amendments to this Indenture which are authorized by Article VIII, any modification or amendment of this Indenture and of the rights and obligations of the Agency and of the Holders of the Bonds hereunder, in any particular, may be made by a Supplemental Indenture with the written consent, given as hereinafter provided in Section 903, of the Holders of at least fifty percent (50%) in Principal Amount of the Bonds Outstanding at the time such consent is given; and provided, further, that no such modification or amendment (i) shall permit a change in the tenns of any installment of interest thereon or principal thereof without the consent of the Holder of such Bond, or (ii) shall reduce the percentages of Bonds 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 Bonds 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 Bonds then Outstanding.

Section 903. Consent of Bondholders. The Agency and the Trustee may at any time, in accordance with the provisions of Section 802, execute and deliver a Supplemental Indenture malang a modification or amendment permitted by the provisions of Section 902, 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 Bondholders for their consent thereto (in a form which shall include a statement that any consent of the Bondholder, once filed with the Trustee, shall be irrevocable), shall be mailed by the Trustee to Bondholders (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 witb the Trustee (1) the written consents of Holders of the percentage of Outstanding Bonds specified in Section 902, 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 Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section

1202. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient under the provisions of Section 1202 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds 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 Bonds 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 Bonds 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 m 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 Bonds and will be effective as provided m this *Section,* shall be given to Bondholders by the Trustee by mailing such notice to Bondholders (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 Bonds 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 904. **Modification by Unanimous Consent.** Notwithstanding anything contained in Article VIII or in the foregoing provisions of this Article, the terms and provisions hereof and the rights and obligations of the Agency, the Trustee and the Holders of the Bonds thereunder, in any particular, may be modified or amended in any respect upon execution and delivery of a Supplemental Indenture by the Agency and the Trustee making such modification or amendment and upon receipt by the Trustee of the consent to such Supplemental Indenture of the Holders of all of the Bonds then Outstanding, such consent to be given and proved as provided in Section 903, except that no notice to Bondholders shall be required if a request to Bondholders for their consent to such Supplemental Indenture has been made as contemplated by Section 903.

Section 905. **Exclusion of Bonds.** Bonds 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 Bonds provided for in this Article, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for m 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 Bonds so to be excluded.

Section 906. **Notation on Bonds.** Bands delivered after the effective date of any action taken as in Article VIII or this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise m form approved by the Agency and the Trustee as to such action, and in that case upon demand of the Holder of my Bond Outstanding at such effective date and presentation of such Bond for such purpose at the Principal Office of the Trustee, suitable notation shall be made on such Bond by the Tiustee as to any such action. If the Agency or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Agency conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same tenor then Outstanding upon surrender of such Bonds.

Section 907. Additional Contracts or Indentures. The Agency, so far as it may be authorized by law, may and if requested by any Fiduciary shall enter into additional contracts or indentures with any Fiduciary giving effect to any modification or amendment of this Indenture as provided in Article VIII or in this Article.

Section 908. Modification of Individual Bonds. Nothing in Article VIII or this Article IX shall be mterpreted as prohibiting the Agency from modifying or amending the terms of any Bond with the consent of the Owner of such Bond if such modification or amendment has no material adverse effect on the interests of any other Bondholder.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 1001. 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 Bondholders.

Section 1002. 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 the Interest Requirement on any of the Bonds shall not be paid when due, or any principal Requirement of any of the Bonds shall not be paid when due, whether at maturity or upon call for redemption; or

(2) if a default shall be made m the observance or performance of any covenant, contract or other provision in the Bonds or this Indenture and such default shall continue for a period of ninety (90) days after written notice to the Agency from the Holders of at least five percent (5%) of the Principal Amount of the Bonds Outstanding at such time or from the Trustee specifying such default and requiring the same to be remedied; or

(3) 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

(4) 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

(5) 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 Bonds or in any way impaired the rights and remedies of Holders of Bonds prior to the time such Bonds, 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 Bonds when due or to pay any principal Installment or redemption premium when due as required pursuant to this Indenture or failure by the Agency to file with the Trustee any document required by this Indenture or any Supplemental Indenture unless the Trustee shall be specifically notified in writing of such default by the Agency or the Holders of at least five percent (5%) in Principal Amount of the Bonds 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 1003. __Enforcement by Trustee__. Upon the happening and continuance of an Event of Default described in the preceding Section, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds may, after notice to the Agency, and upon the written request of the Holders of not less than twenty-five percent (25%) in Principal Amount of the Bonds then Outstanding shall, proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders 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 Bonds, 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 Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(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 Bonds;

(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 Bonds.

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 Bonds, 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, Redemption Price, interest or otherwise, under any provision hereof or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, 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 1004. Representation of Bondholders by Trustee. The Trustee is hereby irrevocably appointed (and the Bondholders by accepting and holding the Bonds 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 Bondholders with power and authority, in addition to any other powers and rights 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 Bondholders or on behalf of all the Bondholders as a class, any proof of debt, amendment of proof of debt, petition or other document, to receive payment of any sums becoming distributable to the Bondholders, 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 Bondholders against the Agency allowed in any bankruptcy or other proceeding.

Section 1005. Limitation on Powers of Trustee. Nothing in this Indenture shall be deemed to give power to the Trustee either as such or as attorney-in-fact of the Bondholders to vote the claims of the Bondholders 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 Bondholder or to give consent on behalf of any Bondholder to any modification or amendment hereof requiring such consent or to any Supplemental Indenture requiring such consent pursuant to the provisions of Article VIII or Article IX.

Section 1006. . (A) All rights of action hereunder or upon any of the Bonds enforceable by the Trustee may be enforced by the Trustee without the possession of any of the Bonds 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 Bonds 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 1007. Accounting and Examination of Records after Default. The Agency covenants with the Trustee and the Bondholders 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 Bonds 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 Tiustee 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 far such period as shall be stated in such demand.

Section 1008. Restriction on Bondholder's Action. (A) No Holder of any Bond 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 the Holders of not less than twenty-five percent (25%) in Principal Amount of the Bonds then Outstanding and there shall have been offered to the Tiustee security 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 Bonds subject to the provisions hereof.

(B) No Holder of any Bond 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 1009. Application of Moneys after Default. 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 applicable Account specified by Article V. Such moneys so credited shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of Article V.

section 1010. Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to Bondholders) 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 1011. Control of Proceedings. In the case of an Event of Default, the Holders of a majority in Principal Amount of the Bonds then Outstanding shall have the right, subject to the provisions of Section 1008, by an instrument in writing 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 exercising 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 Bondholders not parties to such direction.

section 1012. Effect of Waiver and Other Circumstances. No delay or omission of the Trustee or of any Holders of Bonds to exercise any right 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 right, 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 appropriate case, by the Bondholders.

Section 1013. Subordination. No claim for interest appertaining to any of the Bonds which claim in any way at or after maturity shall have been transferred or pledged by or at the instance of the Agency separate and apart from the Bond to which it appertains shall, unless accompanied by such Bond, be entitled in case of an Event of Default hereunder to any benefit by or from this Indenture except after the prior payment m full of the principal and Redemption Price of all of the Bonds then due and of all claims for interest then due not so transferred or pledged.

Section 1014. Right to Enforce Payment of Bonds Unimpaired. Nothing in this Article contained shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on its Bonds, or the obligation of the Agency to pay the principal of and interest on each Bond to the Holder thereof, a?the time and place expressed in such Bond.

section 1015. 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 Bondholders 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 bad been taken.

ARTICLE XI

THE FIDUCIARIES

Section 1101. Appointment of Trustee. U.S. Bank Trust National Association, 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 delivexing this Indenture; and by executing and delivering 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 and V, and the handling of the assets (including Loans) credited thereto in accordance herewith.

section 1102. 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 Bonds then Outstanding (or their attorneys duly authorized 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.

(B) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving each Bondholder 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 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 or any Bondholder (on behalf of itself and all other Bondholders) 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 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 Bondholder 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 appomted 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 m 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 m its most recent report of condition so published. In case at any time the Trustee shall cease 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 1103. Merger 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 1102, 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 1104. 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 (mcluding, 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 1105. Liability of Trustee. The recitals of facts herein and m the Bonds 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 Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations herein or in the Bonds assigned or imposed. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. 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 Bonds 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 rights of Bondholders, whether or not such committee shall represent the Holders of a majority in Principal Amount of the Bonds then Outstanding.

Section 1106. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond 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 Bond unless and until such Bond 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 1107. Preservation and Inspection 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 and the holders of at least five percent (5%) in Principal Amount of the Bonds, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions. Promptly after request therefor by the Agency or such Bondholders, 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 1108. Paying Agents. (A) The Trustee is hereby appointed to act as Paying Agent for the Bonds. The Agency may, at any time or from time to time, by Officer's Certificate, appoint one or more additional or replacement Paying Agents for the Bonds. Each 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 authorized by law to perform all the duties imposed upon it hereby. Each 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 Paying Agent as shall be necessary and desirable to enable such Paying Agent to carry out the duties of its office. The Agency may remove any Paying Agent at any time by giving written notice of such removal to such Paying Agent and to the Trustee. Any Paying Agent may at any time resign by mailing notice of such resignation to the Agency, the Trustee and the Bondholders. In the event of the resignation or removal of any Paying Agent, such 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 Bondholders of the acceptance of appointment by any successor Paying Agent. Any Paying Agent appomted under the provisions of this Section shall satisfy the criteria for eligibility set forth m this paragraph (A) with respect to an original appointment as a Paying Agent.

(B) Any company mto which any 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 Paying Agent shall be a party or any company to which such 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 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 Paying Agent without the execution or filing of any paper or the performance of any further act.

Section 1109. Operation of Accounts. The Trustee shall separately hold and account for each of the accounts and subaccounts created under or pursuant to Articles IV and V, in each case subject to the provisions of this Indenture relating to the respective account or subaccount of which it is a part. The Agency and the Trustee shall establish such accounting, notice and other relationships as are necessary to provide for the operation of each such account or subaccount, and the handling of the assets credited thereto in accordance with this Indenture.

ARTICLE XII

MISCELLANEOUS

Section 1201. Unclaimed Moneys. Anything herein to the contrary notwithstanding, any moneys, held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds 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 Bonds 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 from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of such Bonds 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 Bonds, 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 1202. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by Bondholders may be m one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized m 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 Bonds 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 Bondholder 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 Bondholder 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 Bonds, the amount, numbers and other identification thereof, and the date of holding the same, shall be proved by the Bond registration books of the Trustee.

Any request, consent or other instrument executed by the Holder or owner of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Agency or any Fiduciary in accordance therewith.

Section 1203. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust by it for the Holders of the Bonds entitled thereto, and for the purposes hereof such interest, principal or Redemption Price, after the due date thereof, shall no longer be considered to be unpaid.

Section 1204. . All Bonds purchased, redeemed or paid shall, if surrendered to the Agency or any 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 Bonds shall be deemed Outstanding hereunder and no Bonds shall be issued in lieu thereof.

Section 1205. 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 or any Bondholder, 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 m Section 1201.

Section 1206. No Recourse on Bonds. (A) 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 m his or her individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bands or for any claim based thereon or hereunder against any director, member, officer or employee of the Agency or any natural person executing the Bonds.

(B) Notwithstanding anything in this Indenture or in the Bonds contained, all obligations of the Agency incurred hereunder shall be limited obligations of the Agency and the Agency shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Agency may, but shall not be required to, advance for any of the purposes hereof any funds of the Agency which may be made available to it for such purposes.

Section 1207. 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 1208. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Agency of any Bonds the Trustee shall destroy such Bonds and deliver a certificate of such destruction to the Agency.

Section 1209. 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 telecopy 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:

U.S. Bank Trust National Association
One California Street, 4th Floor
San Francisco, California 94111
Attention: Corporate Trust Department
Tel: (415) 273-4561
Fax: (415) 273-4591

[or, with respect to payments on the Bonds and exchanges or transfers of any Bonds:

U.S. Bank Trust National Association
180 East 5th Street, 4th Floor–Bond Drop Window
St. Paul, Minnesota, 55101
Tel:]

If to the Agency:

California Housing Finance Agency
1121 L Street, 7th Floor
Sacramento, California 95814
Attention: Executive Director
Tel:
Fax:

If to the Loan Servicer:

GMAC Commercial Mortgage Corp.

____
____
Attention: ________________
Tel:
Fax:

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 1210. 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 original; 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.

Section 1211. Provisions Regarding Continuing Appropriation. If and for so long as any order or other action by a court exists that calls into question the validity of the continuing appropriation in Section 5 1000 of the Act:

(A) the Agency shall request the State Legislature, as and when needed, but no less often than annually, to appropriate all amounts in the California Housing Finance Fund to the Agency for the purpose of carrying out the purposes of the Act; and

(B) the obligations of the Agency under this Indenture shall be limited to amounts appropriated by the State Legislature or otherwise made available, from time to time, to pay amounts due under this Indenture for the fiscal year in which such payments are due.

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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 U.S. BANK TRUST NATIONAL ASSOCIATION, 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

U.S. BANK TRUST NATIONAL ASSOCIATION, as Trustee

By: ______________________________
Authorized Officer

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EXHIBIT A

[FORM OF 2000 ISSUE A BOND]

No.______ $

CALIFORNIA HOUSING FINANCE AGENCY

MULTIFAMILY LOAN PURCHASE BONDS

2000 ISSUE A

[Interest Rate]	Maturity Date	Issue Date	CUSIP No.
	August 1,2017	July 1,2000	

REGISTERED OWNER:

PRINCIPAL SUM: DOLLARS

The CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California (herein called the "Agency"), far value received, hereby promises to pay to the registered owner identified above, or registered assigns, on the maturity date specified above (or upon prior payment as hereinafter described), the principal sum specified above in lawful money of the United States of America; and to pay interest thereon in like money from the date hereof until payment of such principal sum is discharged as provided in this Indenture hereinafter referred to, [at the rate per annum specified above], payable on the first day of each calendar month, commencing September 1, 2000 (each a "Bond Payment Date"). The principal hereof and interest hereon is payable by check mailed on each Bond Payment Date to the person m whose name this Bond or any predecessor Bond is registered as of the 15th day preceding the applicable Bond Payment Date at such person's address as it appears on the Bond registration books of the Trustee. Notwithstanding the foregoing, upon the written request of a registered owner of Bonds with an aggregate Participation Percentage greater than one percent (1.0%), payments of interest and principal on such Bonds shall be made by wire transfer from the Trustee to the registered owner of such Bonds.

This Bond is one of the duly authorized bonds of the Agency designated as the "California Housing Finance Agency Multifamily Loan Purchase Bonds, 2000 Issue A" (herein called the "Bonds"), in the initial aggregate principal amount of [AMOUNT), issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California, as amended (herein called the "Act"), and pursuant to that certain Indenture, dated as of July 1, 2000, by and between .the Agency and the Trustee, as the same may be amended and supplemented from time to time (herein called the "'Indenture'').

This Bond shall not be deemed to constitute,a debt or liability of the State of California or of any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or of any such political subdivision, other than the Agency. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on this Bond.

This Bond shall not be entitled to any benefit under this Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

The 2000 Issue A Bonds are limited obligations of the Agency secured by the lien of this Indenture on the Trust Estate, including the Loans, Revenues and Accounts, as those terms are defined in this Indenture. Reference is hereby made to the Act and to this Indenture, a copy of which is on file at the principal office of the Trustee, and all indentures supplemental thereto for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security for the Bonds, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Agency thereunder, to all of the provisions of which Indenture the registered owner of this Bond, by acceptance hereof, assents and agrees. Capitalized terms used in this Bond but not otherwise defined herein have the meanings ascribed to such terms by this Indenture.

[Payment terms.]

The registered owner of this Bond shall have no right to enforce the provisions of this Indenture or to institute actions to enforce the pledge, assignments in trust or covenants made therein or to take any action with respect to an Event of Default under this Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in this Indenture.

The 2000 Issue A Bonds are issuable as registered Bonds without coupons in the denomination of one one-thousandth of the aggregate Principal Amount of all Bonds Outstanding or any integral multiple thereof.

This Bond is transferable by the registered owner hereof, in person or by such registered owner's attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in this Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefore.

The Agency and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Agency and the Tiustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Agency and the Trustee, without the consent of any Bondholder, or in certain instances with the consent of the Holders of not less than fifty percent (50%) in aggregate principal amount of the Bonds at the time Outstanding, evidenced as provided in this Indenture, to execute supplemental indentures adding any provisions to, or changing in any manner, or eliminating any of the provisions of, this Indenture, provided, however, that no such supplemental indenture shall (i) permit a change in the terms of any installment of interest thereon or principal thereof without the consent of the Holder of such Bond, or (ii) reduce the percentages of Bonds 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 Bonds 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 Bonds then Outstanding.

Neither the members of the Board of Directors of the Agency nor any officer or employee of the Agency nor any person executing this Bond shall be subject to any personal liability or accountability by reason of the issuance hereof.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State of California or by the Act or this Indenture to exist, to have happened or to have been performed precedent to or in the issuance of the 2000 Issue A Bonds exist, have happened and have been performed and that the issuance of the 2000 Issue A Bonds, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS WHEREOF, the California Housing Finance Agency has caused this Bond to be executed on its behalf by the facsimile signature of its Executive Director, and its seal to be reproduced hmon and attested by the facsimile signature of the Secretary of its Board of Directors, all as of the Issue Date set forth above.

CALIFORNIA HOUSING FINANCE AGENCY

[SEAL]

By ______________________________

Executive Duector

Attest:

____

Secretary of the Board of Directors

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[TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within-mentioned Indenture and authenticated and registered on:

U.S. BANK TRUST NATIONAL ASSOCIATION, as Trustee

By ______________________________

Authorized Officer

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

____

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint ______________________, Attorney, to transfer the said Bond on the Bond Register with full power of substitution in the premises.

Dated: ____________________

Signature guaranteed: ____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature(s) must be *guaranteed* by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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EXHIBIT B

[LIST OF LOANS AS OF ISSUE DATE OF BONDS)

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RESOLUTION NO. 00-22

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY TO FACILITATE THE AFFORDABLE HOUSING PRESERVATION ACTIVITIES OF THE AGENCY BY AMENDING RESOLUTION NO. 00-06A TO AUTHORIZE THE ISSUANCE OF BONDS UNDER A NEW FORM OF "PASS-THROUGH" INDENTURE FOR THE PURPOSE OF ACQUIRING FROM FANNIE MAE A PORTFOLIO OF MORTGAGE LOANS INSURED BY FHA UNDER SECTION 236 OF THE NATIONAL HOUSING ACT

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;

WHEREAS, on May 11, 2000, the Agency adopted its Resolution No. 00-12 to amend Resolution No. 00-05A and 00-06A in order to facilitate the affordable housing preservation activities of the Agency by authorizing 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;

WHEREAS, the Federal National Mortgage Association ("Fannie Mae") proposes to sell to the Agency Fannie Mae's available portfolio of such existing mortgage loans insured by the Federal Housing Administrati*on under Section 236 of the National Housing Act of 1937,' as amended with a current aggregate principal balance of approximately $270,000,000 (the "Section 236 Loans");

WHEREAS, negotiations since the adoption of Resolution No. 00-12 with Fannie Mae have resulted in a proposed form of transaction under which Fannie Mae would purchase bonds issued by the Agency and the proceeds of the bonds would be used to purchase the Section 236 Loans; and

WHEREAS, the bonds to be issued by the Agency are proposed to be limited obligations paying principal and interest on a pass-through basis under which the principal and interest paid on the Section 236 Loans will be used to pay principal and interest, respectively, on the bonds (net of the Agency's costs of issuing, carrying and administering the transaction); and

WHEREAS, the Agency now desires to amend Resolution No. 00-06A, as previously amended by Resolution No. 00-12, to approve a new form of indenture under which the Agency may issue pass-through bonds as described above and to authorize the purchase of the Section 236 Loans;

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

__Section 1__. __Approval of Pass-Through Bond Indenture.__ In order to authorize the execution and delivery of one or more indentures providing for the issuance of and securing pass-through bonds of the Agency, Section 3 of Resolution No. 00-06A is hereby amended to move the word "or" from immediately before subsection (a)(16) thereof to immediately after such subsection (a)(16) and to add thereafter a new subsection (17) to read as follows:

"(16) the form of pass-through bond indenture presented to the July 13, 2000 meeting of the Agency".

section. __Authorization of Purchase of Section 236 Loans.__ In order to authorize the purchase from Fannie Mae of the Section 236 Loans, Section 10 of Resolution No. 00-MA is hereby amended to add a new paragraph at the end thereof to read as follows:

"The purchase by the Agency from the Federal National Mortgage Association (Fannie Mae") of its available portfolio of mortgage loans insured by Federal Housing Administration under Section 236 of the National Housing Act of 1937, as amended (the "Section 236 Loans") is hereby authorized and approved. The current aggregate principal balance of Section 236 loans so purchased shall not exceed $300,000,000. The Executive Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary in connection with the purchase from Fannie Mae of the Section 236 loans, including, but not limited to, a loan purchase or loan sale agreement and a servicing agreement."

__Section 3__. __Ratification of Prior Actions.__ All actions previously *taken* by the officers of the Agency in connection with the purchase of the Section 236 Loans and the issuance of bonds for such purpose 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-__ duly adopted at a regular mating of the Board of Directors of the California Housing Finance Agency duly called and held on the 13th day of July, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 13th day of July, 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-__ duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 13th day of July, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

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

________________, ______

[SEAL]

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

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State of California

MEMORANDUM

To: Board of Directors

Date: June 29, 2000

From: Theresa A. Parker, Executive Director TAP
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Board Education: Variable Rate Financings
Resolution 00-23

At the May 11 meeting, the Board of Directors authorized the Chairman to establish a subcommittee for the purpose of increasing the understanding of the financial risks being taken by the Agency through its issuance of variable rate debt.

History

During the first 15 years of the Agency's existence, there were standing committees for several purposes, including financing, lending, and administration/legislation. Generally, these committees met in the morning prior to each Board meeting and then made recommendations to the full Board later that morning or in the afternoon. This committee system was disbanded approximately 10 years ago, not long after the Board decided to meet every other month instead of monthly. For example, the last meeting of the Financing Committee was held in May of 1989. Today the only remaining official CHFA committee is the Insurance Committee.

As my staff recalls, the main reason that the original committee system was disbanded was to streamline the review and approval process by reducing duplication of effort. Board members as well as staff recognized that too often the full Board spent as much time on each agenda item as had the assigned committee and little was being accomplished by having the committees review matters just prior to full Board consideration.

In addition, we understand that committee members were frustrated by the formalities imposed on them by the State laws prescribing open meetings. Committee meetings seemed like mini-Board meetings, with the same kinds of legal requirements and formalities, such as 10-day notice of the agenda, quorum requirements, minutes of discussions and actions, and opportunities for public attendance and participation.

Discussion

Following the Board meeting, I met with staff to discuss format and substance issues in order to formulate recommendations to the Chairman and the Board of Directors for the implementation of the subcommittee proposal. Meanwhile, the Chairman also received feedback from Board members reluctant to serve because of the perception that additional

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financial liability might be incurred by subcommittee members. In addition, other drawbacks of the committee approach, as discussed below, have come to mind.

(1) The subcommittee approach would seem to reduce the opportunity for all members to gain a better understanding of this important subject matter and carry out their fiduciary responsibilities, regardless of their current level of financial expertise.

(2) There may be difficulties in finding Board members willing to serve or in scheduling subcommittee meetings, given the already large commitment of time that Board members give to CHFA as well as the stated concerns about incurring greater financial liability.

(3) There may be inefficiencies from duplication of briefmgs or discussions, where subcommittee matters are then discussed again at length before the full Board.

proposal

I would suggest that the Board instead consider directing the staff to provide all members with additional educational opportunities on the topic of the Agency's variable rate risks. This could be done through the following means:

Staff briefings The Director of Financing would be pleased to make structured presentations at each meeting and answer questions from members.

- and/or -

Workshops Staff could organize workshops in a similar format to that of last year's workshop on multifamily preservation. Such workshops could include presentations by the Agency's financial advisors and rating agency representatives. An initial workshop could be scheduled as part of the special August 10 meeting or the regular September 14 meeting.

These two options would seem to overcome most of the above concerns about the subcommittee approach, and I would recommend that these options might first be pursued prior to the establishment of a subcommittee. If the Board agrees, I would recommend the adoption of the attached Resolution 00-23, which would add the following sentence to Section 6 of Resolution 00-12:

"In lieu of the establishment of a subcommittee, the Chairman may direct the staff of the Agency to schedule Board briefmgs and/or workshops for the same purpose."

Attachments

RESOLUTION NO. 00-23

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AMENDING RESOLUTION 00-12 TO AUTHORIZE ALTERNATIVES TO THE ESTABLISHMENT OF A SUBCOMMITTEE OF THE BOARD OF DIRECTORS

WHEREAS, the California Housing Finance Agency (the "Agency") has been issuing an increasing volume of its bonds in variable rate form over the past several years; and

WHEREAS, the Board of Directors (the "Board"), on May 11, 2000, adopted Resolution 00-12 authorizing, inter alia, the Board Chairman to establish a subcommittee of the Board for the purpose of increasing the substantive understanding of the financial risks being taken by the Agency through its issuance of variable rate debt; and

WHEREAS, the Board recognizes that alternative means exist by which the Board may increase its understanding of these risks;

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

Section 1. **Amendment to Section 6 of Resolution 00-12.** In order to provide for alternative means for the Board to increase its substantive understanding of the financial risks being taken by the Agency through its issuance of variable rate debt, Section 6 of Resolution 00-12 is hereby amended to read as follows:

> Section 6. Authorization of the Establishment of a Subcommittee. In order to increase the substantive understanding of the financial risks being taken by the Agency through its issuance of variable rate debt, the Chairman is authorized, upon consultation with Agency staff and legal counsel, to establish a subcommittee of the Board of Directors. The Chairman is hereby authorized to determine the size of the subcommittee, establish procedures for the subcommittee to follow in carrying out its responsibilities, and determine the reporting relationship of the subcommittee to the Board of Directors. **In lieu of the establishment of a subcommittee, the Chairman may direct the staff of the Agency to schedule Board briefings and/or workshops for the same purpose.**

Note: The amendment is the addition of the sentence shown in boldface.

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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 Resolution 00-23 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 13th day of July, 2000, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 13th day of July, 2000.

[SEAL]

David N. Beaver
Secretary of the Board of
Directors of the California
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ABSENT:

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

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

[SEAL]

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

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