BOARD OF DIRECTORS

Thursday, March 8,2001

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

a.m.

1. Roll Call ....

2. Approval of the minutes of the January 11,2001 Board of Directors meeting.. ....

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

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS	
01-001-s	Torrey Del Mar	San Diego/ San Diego	112	
Resolution 01-08..				.842
01-002-N	**Grayson** Creek	Pleasant Hill/ contra **costa**	70	
Resolution 01-09.				.860
	Old Grove Apartments	San Diego	56	
Resolution 01-10.				,880
01-004-N	Riverwood Grove Apartments	santa Clara/ santa Clara	71	
Resolution				

NUMBER	DEVELOPMENT	LOCALITY	UNITS	
	Monticelli Apartments	Gilroy Clara	52	
Resolution 01-12..				
00-032-S	Skyline Village	Los Angeles/ Los Angeles	73	
Resolution 01-13..				.942
01-005-N	Marina Towers Annex	Vallejo/Solano	57	
Resolution 01-14.				.964
00-043-N	International Blvd. Apartments	Oakland/ Alameda	24	
Resolution 01-15.				

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS	
00-008-N	Cascade Apartments	Sacramento/ Sacramento	74	
Resolution 01-16				.1006

6. Discussion of the 2001/2002 Five-Year Business Plan. (Linn Warren/Jerry Smart/John Schienle) ....

7. Other Board matters/Reports ....

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 May 17, 2001, at the Hilton Burbank Airport & Convention Center, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

The Clarion Hotel
Golden Gate Ballroom
San Francisco International Airport
401 East Millbrae Avenue
Millbrae, California

Thursday, January 11, 2001
9:30 a.m. to 12:58 p.m.

Reported and Transcribed by: Ramona Cota

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A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

JULIE I. BORNSTEIN

ANGELA L.

MARK T. HARRIS

CARRIE A. KAWKINS

ROBERT N. KLEIN II

LUPITA OCHOA

THERESA A. PARKER

JEANNE PETERSON

Staff:

SANDRA A. Deputy General Counsel

JOJO OJIMA

For the Staff of the Aaencv:

KENNETH R. CARLSON, Director of Financing

CLINT INGLE, Portfolio Manager for Single Family Programs ,

RALPH PALMER

DIANE RICHARDSON, Director of Legislation

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

JERRY SMART, Acting Single Family Programs Director

LINN G. WARREN, Director of Multifamily Housing

A P P E A R A N C E S   O N T I N U E

Counsel to the Aaencv:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

PETER BLOCK, Standard & Poor's

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P R O C E E D I N G S

THURSDAY, *JANUARY* 11, 2001 MILLBRAE, CALIFORNIA 9:30 A.M.

CHAIRMAN WALLACE: Okay. I believe we have six voting members so that is a quorum. I will call the meeting to order by asking the secretary to call the roll.

ROLL CALL

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

MS. PETERSON: Here.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Here.

MS. OJIMA: Mr. Harris for Ms. Contreras-Sweet?

MR. HARRIS: Present.

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?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: The silence is deafening right now, isn't it? Here.

OJIMA: Thank you. Mr. Gage?

(Noresponse).

MS. OJIMA: Ms. Ochoa for Mr. Nissen?

OCHOA: Here.

OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

APPROVAL OF THE MINUTES OF THE DECEMBER 7,2000 MEETING

CHAIRMAN WALLACE: Thank you. A quorum is present so we will move into the regular agenda with Item 2, approval of the minutes of our December 7, 2000 Board meeting.

BORNSTEIN: Move approval.

PARKER: Mr. Chairman?

CHAIRMAN WALLACE: Yes.

MS. PARKER: I just would like to --

CHAIRMAN WALLACE: Hang on just a second, I heard approval. Was that Julie?

OJIMA: Julie.

CHAIRMAN WALLACE: Just to get it on the table, is there a second?

MS. EASTON: Second.

CHAIRMAN WALLACE: Angela. It's on the table.

Jeanne, did you have a question?

PETERSON: No.

CHAIRMANWALLACE: Who had the question?

MS. PARKER: Me.

CHAIRMAN WALLACE: Terri. Boy, it's hard to get this kind of being over the hill this far. Terri.

MS. PARKER: Mr. Chairman, I just wanted to know if we could make a correction to the minutes. On page **716** there is a quote attributed to me where I was talking about the Annual Report. It says it is our twentieth year anniversary; it actually is our twenty-fifth year anniversary.

MS. OJIMA: Line 6?

CHAIRMAN WALLACE: Line *6*, the reference to 20 should be changed to **25**. Terri read the minutes. I have one on page **770** just to show I read the minutes. On line **12** I am quoted as saying "it is not all simple" and I think I said, it is not all that simple. So you should insert the word ***that.***

MS. OJIMA: What line?

CHAIRMAN WALLACE: Line **12**. Between all and simple insert the word *that*. My grammar teacher is still alive. And I had another one on ***780***, line **20**:

> "... **a** developer and kind of knowing some of the political ways...

Again, a grammatical correction. W-A-Y-S the last word, JoJo

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Other than that, it looked okay to me. Who else? Anyone from the audience want to correct the minutes. Seeing nobody that bold, a wise move, secretary, call the roll on the minutes.

OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Harris?

CHAIRMAN WALLACE: You can abstain. You can't. Why don't you --

HARRIS: I cannot cast an aye vote, Mr. Chairman, in light of the fact that I was not here and have no idea whether the minutes accurately reflect that which was discussed and/or addressed in that meeting. So I have got to abstain or remain silent.

CHAIRMAN WALLACE: Why don't you abstain just to reflect it and we will pick it up at the next meeting.

MR. HARRIS: Thank you, Mr. Chairman.

MS. OJIMA: Mr. Klein will be here.

CHAIRMAN WALLACE: Yes, and Mr. Klein. No, we totally understand. In fact, you spoke that like you were an attorney, Mark.

MR. HARRIS: I am a reformed attorney, Mr. Chairman.

CHAIRMAN WALLACE: That's better. I am going to introduce Mark in a moment. Okay, continue with the roll and we will hold it open.

MS. OJIMA: Thank you, Mr. Chairman. Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Okay. It has not been approved at this time.

CHAIRMAN WALLACE: We have five votes. We will hold the issue open until one of our Board Members arrives, as we expect him in about an hour. So remind me, JoJo,

MS. OJIMA: Thank you.

DIRECTOR COMMENTS

CHAIRMAN WALLACE: Okay, moving on to Item 3, Chairman nd Executive Director comments. Let me introduce Yark Harris who is sitting in, sort of for Pat Neal, but really for the Secretary, Maria Contreras-Sweet. I talked to Pat a couple of days ago and she is, I think, at a Coastal Commission meeting offshore somewhere. So Mark, we are delighted to have you. As I understand, and we already discussed, you are an attorney. You came from Los Angeles, saw the northern lights and moved north. I think you were named Undersecretary for Business, Transportation and Housing Agency about five months ago.

MR. HARRIS: About a year and a half.

CHAIRMAN WALLACE: Okay.

MR, HARRIS: It seems like five months, Mr. Chairman.

CHAIRMAN WALLACE: My gosh, we are already into the second year of this administration, aren't we? Mark, it is a pleasure to have you. I know we have been working with the Agency office, when we have an issue. We are delighted to have you here.

MR. HARRIS: Thank you.

CHAIRMAN WALLACE: Especially as we review our Business Plan and look into the future because I know you have some thoughts on that.

MR. HARRIS: Thank you, Mr. Chairman, glad to be here.

CHAIRMAN WALLACE: So we are delighted to have you. Any personal remarks fromyou?

MR. HARRIS: Mr. Chairman, it is a pleasure to be here on behalf of the Secretary. I, as I mentioned, am both an attorney, and I didn't get a chance to mention, was also an officer with two national investment banking firms, both

Bear Stearns for a period as a managing director, and also Paine Webber. So I have got a big interest in your subject matter. You are to be commended, and the CHFA staff should be commended, for the wonderful work you have done. I am very happy and proud to be here joining my former office mate, Julie Bornstein.

CHAIRMAN WALLACE: Everybody wants to join Julie, it's a big club. Wonderful. Delighted to have you, Mark, and we look forward to your participation in our discussion. The schedule. I think we could get out by noon or during the noon hour. As you see we are short. We have a couple of resolutions to modify loans that are already outstanding. That is not a signal, as Linn Warren told me in response to my question, that the pipeline is dry. It is a signal that with the holidays a lot of the projects that we expected to be forthcoming are just not quite ready.

One of the issues we are going to look at or are considering is whether we need another meeting in February. We may, we may not, depending on the outcome of this. And I guess, Linn, you might have some projects ready by then.

MR. WARREN: That's correct, Mr. Chairman. The borrowers that we are working with are targeting our March Board and our May Board. Both Boards have good timing with respect to the two CDLAC rounds for this year. But yes, an additional Board is always something that our borrowers may avail themselves of if possible.

CHAIRMAN WALLACE: Okay. Well, school is still out on that, whether we have a February meeting or not. But back to today's agenda. I see us getting through these loan modifications fairly expeditiously and getting into the Business Plan, which is Item 5, hopefullyby 10:30. Maybe sooner depending on how fast we move through the projects.

Then we have a number of resolutions, 6, 7 and 8. The first two, which the longer-term Board Members are used to, and the third one broken out separately relative to our resolution this year for the first time with the California Debt Limit Allocation Committee allocation. So we are going to deal with what formerly was two in three motions when we get there. They typically don't take a lot of time. Item 9 I am not sure. Item 12. You will recall we ordered a workshop. That is going to be fairly expeditious, I believe, Ken Carlson, right? A half hour? Twenty minutes? A half hour?

MR. CARLSON: Your pleasure, whatever you would like.

CHAIRMAN WALLACE: I move approval. (Laughter). No, we are going to deal with that. I probably will keep that at the back end of the agenda, but I'm hoping to get out of here by noon or 12:30, something like that. Terri has a number of update items so I will turn it over to Terri, MS, PARKER: Thank you, Mr. Chairman. Members. Just to go through *my* list. I think the first one is to report to you the extraordinarily good news about actions by Congress and the President in December. When we met in early December I think I reported to you that the work that had been done in California under the leadership of the Governor and at the national level by all the states to increase bond cap and tax credits looked like it was going to fail with everything else that was not happening in Congress, particularly because of the stalls and the uncertainty with the election.

But the miracle was that actually in mid-December, there was agreement among the leadership with the President and there was a very small omnibus bill done. In that bill, the new market share proposal was included that increased the bond cap and tax credit increases that we had been requesting that had not been increased since 1986. The especially good news about that was that not only were they increased, but unlike prior legislationwhich would have done it over a five year period, the increases are actually effective now in 2001, where 50 percent of the increase will occur, and then in 2002 all of the increase, which is really a 50 percent in totality increase from what the tax-exempt authority had been for states and a 40 percent increase for tax credits.

So it is almost a brand new day for the State from the standpoint of the availability of these resources. Primarily, they have been used for housing. What is particularly good about it is that it allows us to sell debt at below market so that we can have whatever loans that we do, whether it be' for single family or multifamily, be the best rates that we can possibly offer, particularly given the housing crisis in California.

There were a couple of requests in the last Board meeting for staff to do a number of things and I want to give you some updates on that. One of the things that Mr. Klein had asked the staff to take a look at was to have some discussions, because of the energy crisis and the possibility of utility spikes,'to talk with CDLAC about some flexibility in our underwriting moving forward. We have not had a chance to do that. Frankly, we are having just a number of discussions with CDLAC with the new Executive Director and we do plan to incorporate this but we have not been able to do that since the December meeting and the holidays.

Another request by the Board was to have staff come back -- We did an item at our last Board meeting to do a presentation on D&O general liability and the Board asked us to come back with some quotes, offers, terms, and there just nas not been sufficient time for them to do that. But we will be able to bring you some informationat our next neeting. They are working on it; we are working on it.

From a staffing standpoint, I want to report to you that at our next Board meeting -- Sandy Casey-Herold has been doing an outstanding job as our Interim General Counsel but our new General Counsel will be joining the Agency effective February 1. His name is Tom Hughes. Tom has been in private practice in Sacramento for his career, mostly with the firm Kronick, Moscovitz, Tiedemann & Girard. His specialty has been business real estate.

I think the thing that is particularly helpful for us is that one of his clients was CADA, which is the redevelopment agency in Sacramento. It primarily does housing. Tom really enjoyed doing that kind of work and I think that is what he is looking for and his reasons for leaving his private practice and coming to work for state government. To do the kinds of public benefit projects that we do. So we will be introducing you to him at our next neeting. He and Sandy will be bonding as we move through a transition.

We are also continuing to work on our vacancies. We have'been interviewing candidates for marketing, the narketing position. We think we have a number of good people. We hope to be giving some names to the Agency for them to give us some feedback on, and also the Governor's Office, and in that sense being able to have a name going through to the Governor's appointment office for consideration. In the meantime, we are continuing to work on whatever ongoing marketing activities we have.

We did talk last meeting about the need to hire a marketing firm for the down payment assistance program for school facilities. We are continuing to work on that and we are actually getting the assistance of folks to help us in developing questions, an evaluation and a focus for that firm before we make any agreements. Given the comments of the Board at the last meeting we are continuing to look at the concept of how to focus their activities in a concentrated effort and perhaps develop some sort of a marketing project that would have a phased-in approach so that we can control and evaluate what effectiveness we are doing. Whether or not the expenditure of the funds in totality is worth it or if there are substantial problems that cannot be overcome. So we will be continuing to report on that.

The last item. I want to just give you a little heads up about it because there's an article about it in some of the papers today. That is that the California Association for Realtors has submitted a legislative package and in that package they are proposing a spinoff of our California Housing Loan Insurance Fund to create a separate mortgage insurance entity. I think their idea is to create, perhaps, a state FHA.

We had some discussions with CAR about this concept in the last year. We were not aware that they were going to be submitting this to legislation. They have not called us and asked for any sort of technical assistance on this at all. So we will be monitoring this and Di will be tracking it. At our next Board meeting when we do legislative updates, I probably should be able to give **you** some further information on that. So with that, Mr. Chairman, that concludes *my* remarks. I am certainly available if any Board Members have any questions.

CHAIRMAN WALLACE: ***Any*** questions from the Board on any of the topics that Terri just touched on? Yes, Jeanne.

MS. PETERSON: Mr. Chairman, I would just like to take a minute to recognize Terri who is always humble and downplays her role in these things. But even before I arrived in California, Terri was known as one of the leaders in the country and was a so-called whip for the National Council of State Housing Agencies effort of the last three-and-a-half years, actually, to get the bond cap and the tax credit increases. In her role as whip of the west, she was to whip other state agencies into line and to make sure that their congressional delegations, in addition to the California one, signed on to those bills. So I would just like to publicly express gratitude to her for her role over the past several years.

And to say that only it is an exciting day for

California to have, now we will have $2.116 billion annually in bond volume cap and about $50.8 million annually in tax credit cap. I think that it should be a day of celebration for all of us, although it came as a great surprise, as Terri indicated. After all the hard work and just about when everybody had given up, Congress on its last day, as basically its last act of this Congress, did this.

So we are all pretty excited about it. It has meant just -- On the tax credit side, because nothing comes without attached bells and whistles, there are some substantive changes to the tax credit program. That ironically will mean that having just been through the regulatoryprocess we will have to do that again. But all in all we are awfully excited about it.

I just wanted, like I say, to recognize how important role has been in this and how that has made itself known nationally. I think sometimes we do not know the heroes that are amongst us.

CHAIRMAN **WALLACE**: I thought you enjoyed the regulatoryhearings, Jeanne. I always used to.

MS. PETERSON: Loved them.

CHAIRMAN **WALLACE**: Yes, Julie.

MS. BORNSTEIN: I would like to echo Jeanne's comments as well. Shortly after *my* appointment, Terri brought me up to speed on the status of the federal legislative actions and I had the pleasure of accompanying her to Washington where we met with members of the delegation. We worked with the Governor's Office in Washington. This was a top priority to Governor Davis, sending a letter to the President even before he was sworn into office and subsequently following it up with several other letters and with meetings with White House staff. *Terri* was tenacious. She never gave up when things looked like they were not going to proceed given the sort-of strange outcomes of last year's elections and she was able to win very strong bipartisan support, not just in California, as Jeanne mentioned, but throughout the western region.

For us at HCD this is a wonderful occurrence because last year, of course, the Governor and Legislature augmented our general housing programs with a half billion dollars. This week the Governor proposed an additional quarter billion dollars to put into affordable housing. Having that complementary increase in bond cap and tax credit allocations will mean we can build that many more units by working together. So I wanted to add *my* congratulations and admiration publicly for Terri's efforts and for the support she has gotten from CHFA's staff to bring that about.

CHAIRMAN WALLACE: Well, Terri, I think we obviously all know you were in the trenches. Some of us occasionally darted in there with you and got the heck out in a hurry but you didn't. I was genuinely surprised. I actually thought it was dead for the year and then I got, Jeanne, your boss' letter saying, guess what! It's badly needed. It has been a long battle. How long have we been doing this, five years? So to get that, particularly for us, the bond cap increased from something that has been stuck on ***$50*** per capita for 16 years, is a thrill. And it is going to allow us to do what the Governor wants us to do, and that is $1 billion toward affordable housing and probably more before too long.

MS. PARKER: Mr. Chairman, just to add to that.

CHAIRMAN WALLACE: Congratulations.

MS. PARKER: I think that we -- We were recognized -- I think we shared with you that NCSHA gave California its award for legislative leadership this year. And what we talked about, the fact, and they speak to, is the fact that the Governor, even before he was sworn-in, as Julie mentioned, allowed California to lobby on this particular issue. And in the end, the activities, particularly the Governor's Washington Office, because of the *Governor's* strong feeling, he wrote letters to the President saying that this was his number one housing issue.

I had the opportunity to see him Monday night after the State of the State. He asked me how CHFA was doing and I talked with him about the bond cap and tax credits being raised because of his leadership. I think that this adds to the Governor's legacy. He talked about this in his very first budget. So it is a demonstration for those people who are concerned about where the Governor's position is on housing. This is the biggest increase that California has seen for housing in a decade and a half.

CHAIRMAN WALLACE: It's great. Good for you, Terri. Good for all of us. Good for affordable housing in California. Having said that, are there any other accolades or additions or commendations or bells and whistles?

MS. PARKER: I should say Jeanne helped too.

CHAIRMAN WALLACE: A lot of people helped.

MS. PARKER: Julie helped.

MS. HAWKINS: We can throw our files away now, all those letters.

CHAIRMAN WALLACE: Yes.

MS. PARKER: And Angelo called and you called.

CHAIRMAN WALLACE: We wrote letters and so on. I even was bold enough to write a long, lengthy letter to Pete Star:, which probably never saw the light of day. Because he was one of the five final holdouts through all of this, as I recall.

MS. PARKER: I hate to say it but we found out yesterday he did not vote for the bill.

CHAIRMAN WALLACE: Okay. Well, moving on. Good work, everybody. Linn, Item 4, our first project modification, Breezewood Village.

RESOLUTION 01-01

MR. WARREN: Thank you, Mr. Chairman. Our first loan, loan modification actually, for your consideration today is Breezewood Village. This loan came to the Board for approval and was approved in January of 1999. By way of background, this is a 122-unit senior project in La Mirada. One of the components of Breezewood was the requirement to acquire a number of single family homes in the neighborhood and to demolish them, relocate the tenants and then build the senior project.

What occurred since the Board approval is that what was thought to be a friendly transfer of the ownership of these homes, there were a couple of resistant owners. The City of La Mirada in conjunction with the sponsor, in this case Thomas Safran, was forced to enter into eminent domain proceedings. In addition to that, there were a number of utilities that required relocation, vacating of alleys and other areas that had to do with the offside land improvements.

These items took a lot longer than anybody anticipated and the result of that was that the land increased. The land cost for Breezewood increased approximately $500,000, and because of the delay, the construction costs increased accordingly adding an additional $500,000 to overall costs. The borrowers informed us that in Southern California today, labor trade costs are increasing anywhere from 10 to 25 percent a year. In the case of the La Mirada project they have experienced increases of 10 to 15 percent.

So given these particular circumstances, which were somewhat out of the control of the borrower themselves, they have come back to us for a loan increase. The loan that is being requested today is an increase in the tax-exempt bridge loan which was originally proposed, from $2.3 million to $3.4 million. The reason, as the Board will recall, for these bridge loans is to allow the property to qualify for four percent tax credits.

The bridge loan we are proposing would only be for one year. It does, combined with the permanent debt, equal approximately 100 percent But when we have these one year bridge loans we may or may not require a letter of credit, it depends upon the tax credit pay-in and the equity investor. So we reserve the right to do a letter of credit if necessary but in some cases we do not have to.

In order for us to make the bond proceeds available the Agency was able to take TEFRA-eligible bond proceeds from another project, which just happened to also be with Thomas Safran as the sponsor, substitute Agency taxable funds for that and then transfer these bond proceeds over to the Breezewood project for the purposes of the bridge loan.

As a matter of course in this we contacted CDLAC, the debt allocation committee, and asked for their concurrence. In the course of these discussions their staff looked at it and felt that CDLAC, since the allocation was given and the bonds had already been sold, they were not really in a position at that point in time to give an approval or denial and we proceeded on with that.

The reason for requesting the concurrence was to establish some documentation for the benefit of the tax credit counsel. We subsequently talked with the tax credit counsel for this project. They are comfortable with the financing structures we set up and they are willing to proceed and have advised Edison Capital, the equity investor, that the structure as proposed would be acceptable and the four percent credits would be all right. So with that I would like to recommend approval for the loan as presented and be happy to answer any questions.

CHAIRMAN WALLACE: Questions from the Board? Jeanne, do we have a problem with CDLAC on this? Would you rather I didn't ask? Withdraw the question? Yes, say something.

MS. PETERSON: Now that you asked the question. I wasn't going to say anything at this point. And I am not sure exactly what to say except that the folks in the Treasurer's Office, including the General Counsel, are taking a look at it. It really has to do, as Linn described, with rather technical questions about whether an allocation having been made to one project and the bonds subsequently issued whether the fact that the allocationwas made for a specific project, if some of those proceeds can then be applied to another project. But I think, as Linn has indicated, at this point I am certainlyprepared to vote for the motion, once there is a motion, provided that there are sufficient tax-exempt proceeds available.

CHAIRMAN WALLACE: Linn, this isn't unique. This is not the first time we have done something like this, taken allocation and moved it across. It happens to be with the same developer in this case.

MR. WARREN: That's correct.

CHAIRMAN WALLACE: Giving a little background --

MR. WARREN: Certainly.

CHAIRMAN WALLACE: -- which clearly precedes Jeanne's presence here and/or her boss' elevation as State Treasurer.

MR. WARREN: Prior to the current guidelines that CDLAC has, which is the competitive scoring system, the Agency would get allocations in the form of a blanket resolution. The resolution would give us the allocation which we would turn into bond proceeds, with the properties that we had underwritten to be ascribed to this.

And over a period of time, prior to a couple of years ago, if there were cost overruns or issues that required the substitutionof taxable proceeds for tax-exempt to deal with these cost overruns the Agency financially engineered these on a regular basis. One component of this is, and I should note that if we did substitute taxable proceeds for tax-exempt we would honor our commitments to the borrowers and not increase the interest rate.

With the new competitive scoring system and the project-specific resolutions that CDLAC has brought forth this has changed somewhat in that now we don't have the same documentation to fuel resolutions that we had in the past, hence the reason we brought it to CDLAC. But historically, ***yes***, Mr. Chairman, we have done this. We have done this clearly for the benefit of our borrowers to allow them to proceed with these types of bridge loans to qualify for the four percent credits.

CHAIRMAN **WALLACE**: So we have been doing this, is my recall, for years.

MR. WARREN: As long as I have been here and I would imagine prior to that as well.

MS. PETERSON: Mr. Chairman, **I** think some of this may remain to be worked out through some further communications before CDLAC staff, Treasurer's Office staff and CHFA staff. But it **is** true that although this has been done for years, and I have discussed with members of the **Treasurer's** Office staff that it was done in other parts of the country by housing finance agencies on a routine basis, the real difference is that at this point CDLAC's allocations are: A, competitive rather than first-come first-serve; B, based on a point system; and C, made to specific projects. So it is a different methodology of allocating on the CDLAC side that will require some further communications, I think, between staff.

CHAIRMAN WALLACE: And I guess, Jeanne, you understand this well and you are sitting right in the middle. So be our advocate. Anyway.

MS. PETERSON: I'11 be glad to do that.

CHAIRMAN WALLACE: Obviously we hope to be able to work this out so we can do our thing consistent with the way you operate.

MS. PETERSON: Absolutely.

CHAIRMAN WALLACE: With your new guidelines, there has got to be a way of coming out with a win-win. With that, is there further discussion? Carrie.

MS. HAWKINS: I am ready to make a motion. And I understand the concernbut I think hopefully it will be worked out and I will move to approve the request.

CHAIRMAN WALLACE: Is there a second? Anybody other than Jeanne?

MS, BORNSTEIN: Second.

CHAIRMAN WALLACE: Julie. Okay, any discussion from the Board on the motion or from the audience? Anyone in the audience here to speak on this project? Just show me the money. Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye, with the caveat that there is sufficient tax-exempt bond proceeds available to make the loan.

MS. OJIMA: Thank you. Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Harris?

MR. HARRIS: Aye.

MS. OJIMA: Ms. Easton?

Aye.

MS, OJIMA: Ms. **Hawkins?**

MS. KAWKINS: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-01 has been approved.

CHAIRMAN WALLACE: Our first resolution of **2001** has been approved. Okay then. Moving on Linn, to West Avenue Apartments in Santa Rosa, another project that we have had for some time.

RESOLUTION 01-02

WARREN: Mr. Chairman, I have joining me here, Ralph Palmer. Ralph is in the multifamily staff my group. Ralph has been with the Agency since the early 80s and has been involved in a number of advances and developments in the Agency. He was involved in the creation of CaHLIF and has helped with a number of programs over the years. One of Ralph's particular expertise is in dealing with some of the older projects that we have that were linked with HCD and other programs. So I have asked Ralph to help us with this and he has done a very good job in spearheading the workout effort, not only on this loan but on others.

The request before you -- Before we start, you should have received a replacement page which is the Commitment Summary for West Avenue. It's a single sheet. The reason for the change is the loan-to-value in your book was calculated at 4.7 percent. That's a little low. The actual LTV is what your materials indicate.

West Avenue is a project that the Agency entered into a funding arrangement with in 1986. It was the first state/local loan arrangement that we did in conjunction with HCD under the RHCP program. As I said, it was the first and the underwriting guidelines at that point in time were not as set as they are today.

The main component of the underwriting was the fact that the project operated at a deficit at its initial funding and what was establishedto offset this deficit was an operating deficit loan. The purpose of this loan was to be drawn down on a regular basis to cover these operating expenses over a period of time. It was originally designed to be a 10 year sinking fund loan or operating deficit loan, in reality it stretched into a 15-year loan.

But over that period of time with rents not increasing as rapidly as the underwriting anticipated--and for those of you familiar with the Santa Rosa area, it has gone through a couple of cycles of rents going flat and actually partially declining, it is only just now experiencing the same rent pressures that the rest of the Bay Area is experiencing--the shortfalls began to develop. In addition to the loans, the loan structure that I will have Ralph describe to you in just a minute, there was locality financing from the County of Sonoma,

Also over the period of time there were some constructiondefects that were never fully resolved. As you will see from the pictures in a moment there were some solar panels that needed some work. So let me stop there for a moment and show a fewpictures and I will have Ralph describe some components of the project. Then we will go into the . details of the financial restructuring.

MR. PALMER: Mr. Chairman, good morning. West Avenue Apartments, as Linn has indicated, in its time in 1986 was a concept project. It was designed originally with solar features. The concept was ambitious and unfortunately the design was very flawed.

(Chairman Wallace exited the meeting room as the video presentation of the project began.)

These pictures of the project, you will notice that the project has very limited eaves on it. It originally had some solar shades over the windows that have since been removed and it had solar panels on the roofs of most of the buildings. This is one of the remaining solar panels that actually continues to function. This one is, I believe, used for their laundry facility. But about four years ago, because of accumulation of these defects, the replacement reserves for the project were exhausted attempting to address and correct these defects.

This project in concept was one of our early joint efforts between HCD and ourselves investing our own monies in a HAT-type of investment and also the local government. The County of Sonoma invested significantly in it as well. The result was that the project, which is wholly nonprofit project owned and was not syndicated in any way, had all of the units assisted in a time when there was very limited subsidy assistance available.

I think there is anotherpicture here that will give you an indication of the neighborhood. The project was built on the outskirts in an older community of Santa Rosa. Very residential in character and it was a small project, 40 units. The size of the project also has contributed to some of the feasibilityproblems with it. The actual workout we were faced with was tied to a 10.25 percent interest rate on the first, the inability of the project to meet trending expectations which were rather aggressive at the time for the rents and these latent defects.

(Videopresentation of project ends.)

The actual workout itself included rather lengthy discussions and cooperation between HCD, ourselves and the County of Sonoma since we all had an interest in seeing this project preserved. It gave us an opportunity to extend the life of the affordability of the project for an additional 15 years in a restructure. Basically, the original mortgages -- As outlined in the Executive Summary, the first was at a 10.25 percent rate and the remaining mortgages were all deferred loans to be amortized from residual receipts as the project produced income in a succession, first CHFA then HCD then Sonoma County.

The project continues to have deferred maintenance problems of which we are proposing that an additional

$115,000be lent on a 15-year amortized loan as part of this structure, prioritized into a second position. HCD has committed to extending their RHCP subsidy commitment on the project for an additional 15 years as part of this plan, however, there are questions as to whether or not the annuity fund that HCD manages is going to be adequate to continue the subsidypast the initial 15 years. As a result of that, we structured the financing on this project so that from year 16 through 20, if you look at the project cash flows, the project can self-subsidize those RHCP units if necessary.

MR. WARREN: That would be page 906 of your materials under Cash Flows if you wish to look at that.

MR. PALMER: Though we were hopeful that the annuity will be adequate from HCD--the benefit of that, of course, would be, the accelerated payoff of all the other subordinate passive debt--we have also structured this project so that for the next 30 years the subsidies will remain in effect and the cash flows can support them.

MR. WARREN: I do want to reiterate that Burbank Housing, which is the borrower which is known to us and have a number of loans in our portfolio, have contributed their own financial resources over the last several years to maintain the property and it is a tribute to them that they have done so. This workout, as you can imagine, has been pending for about a year I think, is probably fair to say, or a little bit longer. But clearly we have some financial trends on the property, given the debt structure and some of the defects we have to deal with, that if not remedied today some form of default could occur in the future. We would certainly try to avoid that.

Ralph did mention HCD has been very cooperative in this. They, like us, had to restructure their component of this in conjunction with the RHCP guidelines and, obviously, if they were unable to do so this project could not have proceeded. So we do appreciate their efforts on that.

So I think in summary, as Ralph indicated, this is, we think a good maintenance of a portfolio loan. The interest rate, although it is a reduction, is certainly above the rate we are offering today. We think it is in the best interest to do all this, particularly since it does increase replacement reserves and we extended affordability for 16 more years. So with that we would like to recommend approval of the financing structure as presented and happy to answer any questions.

(Chairman Wallace re-entered the meeting room.)

MS. HAWKINS: Mr. Chairman, I will turn the Chair back to you.

CHAIRMAN WALLACE: Thanks, Carrie. Any questions from the Board? Julie.

MS. BORNSTEIN: Just a brief comment, Mr. Chairman. There is, I believe, no legal conflict at all to prevent my voting in this, given HCD's position. But since HCD figures prominently in the negotiations to do this workout and deal with the project I just wanted to open the door in case my colleagues had any questions. But I do fully intend to vote for this project. We want to preserve the affordability and prevent any possibility of default down the line.

We, from our records, would be happy to add that we have no problems at all in our relationship with Burbank Housing. This loan has not caused any difficulties or problems in our department either. I think this is something where we want to be proactive and deal with, as Linn said, some of the construction issues in the past and some of the rent trends. But if my colleagues had any questions considering HCD's participation, I just wanted to open that door.

CHAIRMANWALLACE: Sure. Julie, do you have a direct personal enhancement of your salary or benefits because of voting aye on this project?

MS. BORNSTEIN: No, I do not, Mr. Chairman.

CHAIRMAN WALLACE: Fine. Sandy is that in order?

MS. CASEY-HEROLD: That is in order.

CHAIRMAN WALLACE: She's okay. Just because you have a little extra expertise I don't think it disqualifies you at all.

MS. BORNSTEIN: Well, the fact that HCD is also a lender whose security is securedby this building. There may be a benefit to HCD in the restructuring so I just wanted to open the door. But to the best of *my* knowledge, and I know that CHFA counsel concurs, there is no legal conflict, no legal reason at all why I cannot vote on this project. But given HCD's participation I just, in an abundance of caution, wanted to raise the issue in case anyone had any questions.

CHAIRMAN WALLACE: See, Sandy, something good came out of that directors and officers liability agenda item last time. Now if anybody else wants to ask -- and it is nice to have you be that forthcoming. Jeanne.

MS. PETERSON: I just had a question and that is: Were 501(c)(3) bonds utilized to finance this project at all?

MR. WARREN: No, I believe they were tax-exempt bonds.

MR. PALMER: Actually, it was recently re-funded. And in doing so were those -- I think we have to defer to Ken on that, I think.

CHAIRMAN WALLACE: Ken, why don't you step up. I saw the nod of your head but the microphone did not record it very well.

MS. PETERSON: I just noticed it was quite a high initial interest rate.

MR, CARLSON: Actually, I don't. I apologize because I should have looked this up and I am not certain of what the answer is. I know, though, that every opportunity we have had to re-fund debt we have taken advantage of it. I can't remember -- Ralph is saying --

MR. PALMER: This one was re-funded this year.

MR. CARLSON: Okay, we have already re-funded.

MR. PALMER: This **is** part of why we were able to deliver this rate.

MR. CARLSON: Okay. So we have already re-funded these bonds and achieved a low rate.

MR. WARREN: Yes.

MR. CARLSON: So there is no -- Thank you. Thanks for doing *my* homework.

MR. WARREN: I don't think we know what the original bonds were, Jeanne, but they have been re-funded.

CHAIRMAN WALLACE: That do it for you, Jeanne? Anyone else? Anything from the Board or the audience? The Chairman will accept a motion of approval then. Or a motion. Hearing none --

MS. PETERSON: Move approval.

CHAIRMAN WALLACE: Jeanne moves.

MS. HAWKINS: I'll second it.

CHAIRMAN WALLACE: **And** Carrie seconds. Any discussion on the motion by the Board or the audience?

Hearing and seeing none, secretary -- Carrie.

MS, HAWKINS: I would just like to say that I think this just points to the fact of what a quality group of housing deliverers we have in California. Because as I have observed transactions that **run** into trouble over the years due to unforeseen circumstances many years down the line or whatever might happen, economic conditions, etcetera, etcetera. When we are dealing with the quality of people that we deal with we resolve these issues. There's very few losses to anyone in these transactions. I just want to make that statement for the record.

CHAIRMAN WALLACE: Good. Makes sense; well put. In-house and outside, the people who are developing, it's nice to hear some nice words about a developer once in a while, Carrie. Ready for the motion. Hearing and seeing nothing further, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Harris?

MR. HARRIS: Aye.

MS. OJIMA: Ms. **Easton?**

MS. EASTON: Aye.

MS. OJIMA: Ms. **Hawkins?**

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-02 has been approved.

CHAIRMAN WALLACE: Resolution 01-02, our second resolution of the year has been approved.

Bob Klein is on his way and I want him here, particularly for the discussion of the Business Plan update, which is Item 5. Hopefully, anticipating that Items 6, 7 and 8, which are pretty routine annual events at our first meeting, will go quickly, and 9 too. I'm inclined to take those up at this time. Because I still think we have got plenty of time to do the Business Plan. Mark, I am sensitive to your schedule. I would just as soon have you here for this too. So with that in mind let's take Item 6, Ken, and then we will follow it up in order immediatelythereafter, assuming that we're moving expeditiously. Tell us what 6 is all about, again.

RESOLUTION 01-04

MR. CARLSON: Thank you, Mr. Chairman. Item 6 s on page 910 of your book. What this would mean is adoption of Resolution 01-04 which would authorize our single family financings for another year in amounts equal to the amount of prior bonds being retired, the amount of new private activity bond allocation that would be received, plus up to $900 million of taxable bonds. Any of these bonds could be issued under any of our previously approved forms of indenture.

At least right now our plans are to continue to use our giant home mortgage revenue bond program, which now comprises 72 percent of our debt. This indenture is a special obligation secured only by the revenues and assets of that indenture. It is rated AA- by Standard & Poor's, Aa2 by Moody's, and it is not at all a CHFA general obligation.

The resolution would authorize all the types of financial agreements, including interest rate swaps, investment agreements that we use, and also authorize us to pay for related services. It authorizes us to continue our borrowing from the Pooled Money Investment Board and would authorize us to increase that borrowing up to *$250* million. It would expire 30 days after the first quorum in 2002.

Our plans are to continue how we have been doing this for the last five or so years, which is to sell bonds every two months. We would sell bonds that often to mitigate interest rate risk from rates rising and falling. We would intend to continue, largely, to sell floating rate bonds and swap them back to fixed, but always with a portion of the single familybonds being sold as fixed rate.

Anyway, if you would approve Resolution 01-04, that would enable us to carry out the Business Plan as it is set forth for the remainder of this fiscal year and the beginning of next fiscal year. If there are any questions I would be happy to answer them.

CHAIRMAN WALLACE: I will ask *my* annual question on this subject. What happens if we don't give you this authority?

MR. CARLSON: If you don't give us this authority then we will be unable to sell the bonds. We will be stopped dead in our tracks. We have projects for which we need to sell bonds in February, that's in multifamily. But in single family in March we have a financing scheduled with the State Treasurer's Office. So we would have to cancel it and stop the program if we are unable to fund the loans.

CHAIRMAN WALLACE: Wouldn't we have to have every day Board Meetings?

MR. CARLSON: That's true. We could solve this problem --

CHAIRMAN WALLACE: We could have ten more Board Meetings a month.

MR. CARLSON: Yes.

CHAIRMAN WALLACE: The basic reason is -- They used to do it that way many, many years ago, didn't they? One at a time. But the volume is such it would be horribly inefficient for us not to give this authority. And we get a report that comes back and tells us periodically throughout the year exactly what you did. So we don't want -- In the name of efficiency, we do not want to be as inefficient as we would be if we didn't give you this authority. And it has worked for years this way.

Having said that I have one other question. It's for you, Sandy, legal counsel. Why did we skip from Resolutions one and two to four? What happened to good old number three?

MS. CASEY-HEROLD: I believe we had one pulled, a resolution pulled.

CHAIRMAN WALLACE: We had one pulled. Does that mean we shouldn't change this to three?

MS. CASEY-HEROLD: No, I don't think we need to do that.

CHAIRMAN WALLACE: Three can come back later, sort of thing?

MS. OJIMA: Three is just gone into the --

MS. CASEY-HEROLD: Yes. We kept track within the office that three was pulled.

CHAIRMAN WALLACE: And once you log in a resolution its there. And the fact that we never adopt it, that's okay.

MS. CASEY-HEROLD: That's fine.

CHAIRMAN WALLACE: Okay. So we're sticking with good old number four, but it sure looked funny here.

MS. CASEY-HEROLD: Yes.

CHAIRMAN WALLACE: Now who else has questions on this Resolution? Mark, you are the only one who has not been through this before.

MR. HARRIS: I have from the other side, *Mr.* Chairman.

CHAIRMAN WALLACE: Okay.

MR. HARRIS: But not from this side. I'm fine.

CHAIRMAN WALLACE: Okay.

MS. BORNSTEIN: I'd be happy to move adoption of Resolution 01-04.

CHAIRMAN WALLACE: Bornstein moves.

MS. EASTON: I'll second.

CHAIRMAN WALLACE: And Angela seconds. Is there any discussion on the motion? Audience? Hearing none, seeing none, secretary, call the roll.

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

PETERSON: Aye.

OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: *Mr.* Harris?

MR. HARRIS: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. **Hawkins?**

MS. KAWKINS: ***Aye.***

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

OJIMA: Resolution 01-04 has been approved.

CHAIRMAN WALLACE: Resolution 01-04 is hereby approved. By the way, is there anyone discombuberated by *my* changing the schedule? I should have asked that in skipping Item 5. Anybody troubled by that? Good. So we will then take Item 7 on the multifamily resolution. Ken again.

RESOLUTION 01-05

MR. CARLSON: Thank you, Mr. Chairman. Item 7 is on page 924. Under Item 7 we would ask for the adoption of Resolution 01-05. Similarly to the previous one, this would authorize multifamily financings. The constraints on amount are as follows: Up to the amount of prior multifamily bonds being retired; equal to the amount of private activity bond allocation that we receive; up to $400 million of bonds that are in various categories, either 501(c)(3) bonds, governmental purpose bonds or taxable bonds. This year we have added a fourth category, up to $300 million for the purpose of loan acquisitions.

Again, here the resolution would authorize us to use any of our previously approved forms of indenture. Our current plans are to continue using our four-year-old Multifamily Housing Revenue Bonds III indenture. Unlike our single family indenture, this one is backed by the general obligation of the California Housing Finance Agency. We have about $468 million of these bonds outstanding now. The total GO debt of CHFA is something over $700 million, I think it's in the report there.

Again the resolution would authorize the full range of financial agreements including interest rate hedges and investment agreements. It would authorize us to pay for related services and it would expire 30 days after the first quorum meeting in 2002. This year we expect there to be three sales, one next month, then one probably in June and maybe one in October. These are all based on the timing of actions by the California Debt Limit Allocation Committee.

Again, here we would plan to sell floating rate debt and swap it back to fixed. There is a small correction on page 932 at the very top line. The referenced resolution is the one that you just previously approved, not last year's, so it should read 01-04, not 00-04. There are some minor corrections to be made in the secretary's certificate but we can take care of that later. I would ask you to approve Resolution 01-05.

CHAIRMAN WALLACE: And I am not going to ask my question again because the same principals apply. Any discussion from the Board? From the audience? The Chairman will entertain a motion.

MS. HAWKINS: I will move to approve the request.

CHAIRMAN WALLACE: Board Member Hawkins,

MS. BORNSTEIN: Second.

CHAIRMAN WALLACE: And Board Member Bornstein. *Any* discussion on their motion to approve from anybody in the room? Hearing none, seeing none, secretary, call the roll.

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

MS, PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS, BORNSTEIN: Aye.

PIS, OJIMA: Mr. Harris?

MR. HARRIS: Aye.

PIS, OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. **Hawkins?**

MS. HAWKINS: Aye.

MS. OJIMA: *Mr.* Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution **01-05** has been approved.

CHAIRMAN WALLACE: Resolution 01-05 is hereby approved. Moving on then, Ken, to Item *8.*

RESOLUTION 01-06

MR. CARLSON: Thank you, *Mr.* Chairman. ***As*** you **may** recall, last year the Treasurer's representative asked us to take our authorizing resolutions similar to the ones just passed and take out or separate the language having to do with applications to the California Debt Limit Allocation

Committee, so this year we have produced a new resolution to that effect. This resolution would authorize us to apply to the Debt Limit Committee for a maximum of $600 million of private activity bond allocation for single family and $400 million for multifamily.

As we understand now, the committee is not expected to meet until February 16, at which time it would announce the State ceiling and divide the amounts into various categories and will probably indicate the amount that it would intend to make available to CHFA for our single family program. There are two rounds of due dates for applications this year. Our single family application will be due on the 24th of this month and multifamily on the 21st of February for the first round of allocations.

We received $217 million of allocation for single family last year. We are going to apply -- We have been talking to the Director about how much we would apply for initially this year. Probably $400 million is the number we are looking at. We will see how much is available once the decisions have been made to divide up the pool. But in any event, we will be asking the committee, once they have decided how much we would get, to authorize it all at the beginning of the year. With that I would request approval of Resolution 01-06.

CHAIRMAN WALLACE: Any questions from the Board?

Are you more comfortable with doing it this way, Jeanne? You're not comfortable in either case. Well, *you're* rolling in dough over there now.

MS, PETERSON: I would like to make a statement for the record and that is that under circumstances where there were more voting members I would probably be inclined to abstain. Because there is a bare quorum I would like the record to reflect that in voting for this resolution that the resolution simply authorizes application to CDLAC for single family and multifamily allocations in amounts not to exceed and should in no way be construed as signaling the Treasurer's support for any allocation to any of them.

CHAIRMAN WALLACE: Diplomatically put. Okay, any other comments from the Board? From the audience? I almost hate to do this when we're ahead but Bob Klein is on the way You're okay?

MS, PETERSON: (Nodded).

CHAIRMANWALLACE: I read that as a go forward. I don't have a motion.

MS. BORNSTEIN: I will be happy to move approval of Resolution 01-06.

CHAIRMAN WALLACE: Assemblywoman Bornstein moves.

MS. **EASTON:** I will second.

CHAIRMAN WALLACE: And Angela Easton seconds. Is there any discussion on the motion by the Board or the sudience? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Harris?

MR. HARRIS: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-06 has been approved.

CHAIRMAN WALLACE: Resolution 01-06 is hereby approved. Okay, moving on to Item 9, Jerry. Jerry Smart will make the presentation to us on the loan servicing volume.

RESOLUTION 01-07

MR. SMART: Thank you, Mr. Chairman. Back in March of 1991 the Board of Directors approved Resolution 91-31 at the Agency's request. That resolution was passed at the time based on recommendations frombond rating agencies that had concerns with regards to the amount of loans being serviced by one particular lender. The resolution put a cap on the amount of servicing at 15 percent for standard mortgage servicers and 20 percent for master servicers. Since that time, in fact just recently, we have been advised by those rating agencies that that servicing limitation restriction does no longer apply in **today's** business environment, in part because of the strength of the portfolio.

In 1991 our servicing consisted primarily of conventional mortgages with 50 percent mortgage insurance. Today that has changed dramatically; it's now ***85*** percent government loans with a high degree of mortgage insurance. The risk to the Agency has been highly limited, and in the event of foreclosure, we do have recourse agreements with all of our servicers that pretty well protect the Agency.

There has also been a major shift in the industry from numerous servicers in time past to a consolidation. There's a limited number of major servicers and I see in the future that this will continue. There will be maybe just a group, a core of major servicers that will have most of the servicing on a nationwide basis, in part because it is an economy of scale. The larger servicers can handle and do the servicing better than small servicers. I think, frankly, our list is lessened because df that. With smaller servicers the risk would increase. If they are suffering any financial difficulty it would come to bear with the smaller servicers.

We do have a pretty aggressive servicer monitoring function. We annually examine all of our servicers. We actually physically go out to their locations, servicing locations, we monitor their financial status and we are quick and aggressive to take any action where we deem a particular *servicer* is -- that we need to protect our interest. So based on that, I would recommend that the Board approve the elimination of Paragraph A6 from Resolution 91-31 by passing Resolution 01-07.

CHAIRMAN WALLACE: Carrie, what do you think of this?

MS. HAWKINS: Pardon?

CHAIRMAN WALLACE: What do you think of this?

MS. HAWKINS: I think that everything that you have stated is true and accurate. Circumstances have changed. Due to the decreased servicing fees it requires economies of scale and things have changed dramatically. I do think that CHFA certainly has checks and balances. I have a couple of questions. How many servicers do we now have, currently?

MR. SMART: I'll defer that to Clint.

MR. INGLE: Mr. Chairman, that's approximately 19 servicers.

CHAIRMAN WALLACE: Excuse me. First of all, could you come forward.

MR. SMART: Clint Ingle is our portfolio manager for single family programs. It is his responsibility to monitor the servicing operation for all of our various servicers. With that I'11 ask Clint to answer.

CHAIRMAN **WALLACE**: Clint, introduce yourself and then answer.

MR. INGLE: Mr. Chairman, I am Clint Ingle, I am the portfolio manager for the Agency. Today we have approximately 19 servicers scattered throughout the United States.

MS. HAWKINS: That is actually a pretty good number considering all the consolidations and what has been happening. So ***you*** are requesting that we lift all limitations and if we ended up with one servicer that is where we would be. Is that correct?

MR. SMART: That is correct, we would eliminate the restrictions entirely. In fact, I believe **a** number of other housing agencies throughout the country do use master servicers. So they have a variety of originating lenders, but they have maybe one or two master servicers to handle all of the servicing operations for their particular offices.

CHAIRMAN **WALLACE**: I guess the countervailing argument is, you don't want to keep some otherwise qualified servicer from being locked out.

MR. SMART: Well, we would not do that. Although I must say that when we approve new lenders, we do look at the financial status of our lenders and there are times in which we recommend that a servicer release their loans to another CHFA-approved servicer.

PARKER: Mr. Chairman, just let me say on behalf of the staff that there is no intention on the part to be pursuing, as there is in other housing finance sister agencies across the country, a master servicer. We fully support the concept of the distribution of this workload and there is no intention of that. On the other hand, we want to be in the situation where, because of consolidation, we can't use a legitimate servicer.

CHAIRMAN WALLACE: I guess my only point is, and I have been through these kinds of arguments in a different context, both in Congress and here in the State, that we be sensitive to the fact that an otherwise qualified servicerbe given, at any point in time, his day in court. This, by removing the 15 percent limitation and not substituting anything, 33 and a third, 50 percent, two-thirds, can lead to a perception that you are trying to close out the little guy who is otherwise qualified and so on. So I think in going -- If we go this way, we need to be sensitive that we are not shutting down until we took that issue on directly, which we are not doing here today.

MS. HAWKINS: I would concur that we should continue to approve new servicers and certainly not thwart the free market and close out anyone that is qualified. At

MS. HAWKINS: -- and have not been growing that in any substantial --

MR. SMART: No, that is pretty much maintained. Every now and then when it does pay off, where we have loans that pay off, we do occasionally increase it. There may be particular servicers that we have to pull the servicing from and we often give them a chance to sell those loans to the CHFA servicing fund.

MS. HAWKINS: I would support this and I would definitely be against having one master servicer and closing out the others. You have answered all my concerns about it.

CHAIRMAN WALLACE: What you have given us on 946 is the current list of servicers; is that correct?

SMART: That is correct.

CHAIRMAN WALLACE: So currently you have a couple of them that are -- one certainly, and another on the -- North American. At any rate I think Carrie and I are saying the same thing.

Yes.

CHAIRMAN WALLACE: We don't want to shut anybody out. We'll still consider the legitimate, give them due process and try and qualify more than one.

MR. SMART: That is the **staff's** recommendation.

CHAIRMAN WALLACE: Mark.

MR. HARRIS: Mr. Chairman, I have a question. Does staff know whether any of the folks listed as current **servicers** are designated small businesses within any definition of a small business, either Caltrans definition or **SBA** definition?

MR. SMART: I don't believe they are.

MR. HARRIS: I'd ask that I receive that information, Mr. Chairman, prior to feeling comfortable casting a vote in the affirmative on this one. Some of the comments that have been made by Ms. Hawkins and others are the same concerns that I have relative to the potential impact, be it actual or by perception, on smallbusinesses.

I know the Governor, as those of us who are part of the administrationaround the table can attest to, is really trying to make a strong effort to support small business in every context and I would not want to do anything to potentially have a chilling effect on the support for small businesses if, in fact, that is an accurate portrayal of any of the folks on this list. If this is just a list of so-called big businesses then I **don't** have as much of a problem with the action that is being recommended by the staff.

MR. SMART: I believe the capital requirements for the mortgage servicers and originators that we have would probably preclude most small businesses. I think it's **$250,000.** We require that they be basically Fannie Mae or Freddie Mac seller/servicers, FHA-approved servicers. That in and of itself would probably preclude most small business entities.

MR. €€ARRIS: So we are probably talking about a universe of big businesses so the concerns that have been expressed about the potential chilling effect on small businesses may not be --

MR. SMART: We would not preclude a small business so long as they would meet the FaMie Mae criteria for being a seller/servicer.

MR. HARRIS: Which would probably, again, put them in the category of not being a small business, within at least an **SBA** definition, on the basis of capital, amount of employees and the rest. But **that's** my concern, Mr. Chairman.

CHAIRMAN WALLACE: I understand. I'm kind of voicing the same thing. On the other hand, Mark, I don't want us to -- Some of these, I don't know if they meet the definition of small businesses but some of them -- We all know that consolidation is going on in this. Fees are down, and we don't want to cut off our nose to spite our face. Some of these are not doing a lot of business, but **there's** quite a few of them that are doing business with us. So I am comfortable when I see a list of 19 players that we're using. Concurrently, I am not comfortable with 15 percent in the current business environment when I see an obvious party, Countrywide, that already exceeds it.

There's some valid reasons for taking this move. I am going to vote for it but what I am trying to establish, and I think Carrie is saying the same thing and you are too is, anybody that is qualified is still welcome to submit. And if the qualification criteria are meeting Fannie and Freddie I understand that too, criteria, then I'm okay. But I don't want us to be so cavalier that we would not let some start-up come in, who otherwise is Fannie and Freddie servicer approved, and join the list.

MR. SMART: I would also -- Excuse me.

MS. HAWKINS: I would like to add, until the end of **1996** I was on this list personally and made the decision to end while I was on top and sold *my* company and **sold**, *the* servicing portfolio. Countrywide is probably servicing those now, one of the servicers of part of that portfolio.

But yes, it has not been CHFA who has ever kept small business from entering the marketplace, it has been all of the criteria. The net worth requirements by banks in order to get a warehouse line of credit; the requirements by Fannie Mae and Freddie Mac. So we have always done a good job as far as allowing new players, but they do need to meet the criteria of the industry, which I did since 1965. I thought, I want to do some other things, so I am no longer on this list.

CHAIRMAN WALLACE: If you saw Carrie's Christmas card, Mark, you would see that there were three generations on a beach in Hawaii because they sold their mortgage servicing business. (Laughter).

MS. HAWKINS: I wish more.

CHAIRMAN WALLACE: I think this is fine. And I know Terri has just whispered in my ear and I encourage you, Mark, to vote for it, as I am going to, and all of us. But be sensitive to this issue. This is not a motion to be construed to be, we are going to one servicer. This should be construed as being, we want more flexibility in a changing market. That anybody who otherwise meets our criteria, as the 19 do today, is going to get probably approved as a mortgage loan servicer for CHFA.

MR. SMART: That is correct.

CHAIRMAN WALLACE; Any further questions? If not, secretary -- Do I have a motion yet?

MS. OJIMA: No, not yet.

CHAIRMAN WALLACE: Carrie, are you comfortable enough to make a motion?

MS. HAWKINS: I will make a motion. Hopefully none of my industry peers will shoot darts at me for doing this. I think everything is okay. I will make a motion.

CHAIRMAN WALLACE: Why don't you add to that, being sensitive to the discussion that occurred on this issue.

MS. HAWKINS: Yes Absolutely. Being sensitive to the discussion that has occurred on the issue of allowing start-up companies who meet the criteria to enter into doing business with us in the future.

CHAIRMAN WALLACE: A second?

MS, BORNSTEIN: Second.

CHAIRMAN WALLACE: Julie. Any question on the motion, Board or audience? Hearing, seeing none, secretary, call the roll.

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

MS. PARKER: I was going to just add; Mr. Chairman: If this is an issue of interest to the Board we would be happy to come back and report, give you status reports on what is happening with the number of servicers we have on a regular basis. **So** the Board is continued to be informed about what is going on. **So** it is not a situation where it falls off your radar. We can give you reports on this on a regular basis.

CHAIRMAN WALLACE: That's a good check and balance but I don't think you,have to do it all that frequently. You can come back next year at this time or in sixmonths or something. I would not expect it at every Board meeting. Jeanne, did you have a question too?

MS. PETERSON: I did not.

CHAIRMAN WALLACE: Okay.

MS. PETERSON: I was waiting **for Terri** to make **a comm** nt before voting and I will now c st my vote, aye.

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

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Harris?

(No response).

MS. OJIMA: Mr. Harris?

MR. HARRIS: Abstain.

MS. OJIMA: Thank you. Ms. Easton?

MS. **EASTON**: Aye.

OJIMA: Ms.

MS. **HAWKINS**: Aye.

OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye. We'll hold this over until Mr. Klein arrives because we are one vote short, are we not?

MS. OJIMA: That's correct.

CHAIRMAN WALLACE: That one, like the minutes -- Imagine that. Items 2 and 9 are holdovers. JoJo, I'm writing a note but you do too.

OJIMA: Yes, thank you.

DISCUSSION OF THE BUSINESS PLAN UPDATE

CHAIRMAN WALLACE: It's 11 o'clock. We are pretty well poised to move into Item 5, the Business Plan discussion. Let me suggest, in times past we have interrupted as we went along. I think it may serve us better and be more efficient if we let the staff conclude their preliminary direct presentation and then we jot down a note or two, or mentally retain them, until they are finishedwith their presentation. Is that an acceptable procedure from the Board? Okay. Armed with that, who has got it? Linn and Jerry and John. Let the good times roll.

MR. SMART: Mr. Chairman. The Single Family Programs Mid-Year Report: Our goals and objectives for this fiscal year were to purchase $1 billion in single family loans; continue support of our Self-Help Program with the Self-Help Builder Assistance Program; provide down payment assistance with the use of HAT funds; with the objectives of increasing home ownership for low and very low income families; providing funding availability on a year-round basis, every day of the year; and providing an equitable distribution of our funds on a statewide basis.

One of the major tools we use to achieve our objectives and to maintain our volume levels at the correct pace is our interest rate structure. You will notice on the statewide level we had it split between low income and moderate income. Our best rate for the statewide low income is at 6.25. For high cost areas, which are basically the Bay Area and Central Coast and Southern Coast areas of the state we offer 6 percent low income, 7 percent formoderate income.

How we are doing today. As you can see on the pink line, that is our annual goal, starting in August through the end of June. This is the billion dollar line. The green line represents our actual production. You can see that we are virtually right on track with what we figure we ought to be on a straight line basis. You see that there is a slight dip in December. Our purchases are lagging about two weeks behind on our production. However, as you look at our gross reservations line down here, the red line, they were peaking in November and December and we actually had to take a little bit of action to moderate that volume so we wouldn't get ahead of our ourselves. You can see that purchases are lagging a little bit behind but this is projected out for the rest of the year.

Our accomplishments so far through the mid-year: We implemented the California Downpayment Assistance Program. That's the Governor's $50 million program that we introduced and the Board approved, I believe in October. I would like to note that as of the first ten weeks we have already reserved, I believe, $3.3 million in reservations, which we feel is a very good success rate so far.

The 100 Percent Loan Program has helped us very well in assisting to reach under-served areas. That was one of the primary goals of that program when we introduced it. In fact, it was going so well we did a major correction to re-evaluate where we were with respect to under-served areas and re-address that program. As you can see we have been very successful in reaching minority borrowers; 72 percent of our loans have gone to minorities. About 77 percent of our loans are also going to low income home buyers, very-low and low, and we are very proud of that ratio.

The Affordable Housing Partnership Program: That is a program that we operate in conjunction with localities that is very successful. Today we have purchased 250 loans since the beginning of the fiscal year. We have over 163 approved entities/localities that are participating on a statewide basis. The health of our program is also shown by our delinquency ratios, the figures that we had as of September 30. There is a 90 day lag on our delinquencies.

As you can see, it is below the MBA average. It takes about sixmonths to come out but we have been tracking underneath that and are quite pleased with the ratios as they are today.

We also amended our condo policy in October. Previously, we restricted condominiums and townhomes basically to the high-cost areas of the state. The dynamics have changed. The affordability issues are becoming more of a problem for the state and we decided that it was time to make a change. Also, the rating agencies also indicated to us that there was no longer concern over the mix in the way of condominiums as a percentage of our portfolio. So we did open that up on a statewide basis.

(Messrs. Wallace and Harris
exited the meeting room.)

In the coming fiscal year, we would nope to look at programs that offer opportunities in the area of smart growth or affordable housing opportunities for high-cost and under-served areas such as promoting in-fill urban housing, decreasing the dependency on automobiles; and such as promoting growth along public transportation corridors. We also hope to work in coordination with programs offered by HCD such as the Cal-Home Program, the new CHDAP program that we have introduced, as well as the Self-Help programs.

And third, we would like to review the targeting of our down payment assistance programs, perhaps looking at the

CDLAC teachers home purchase assistance program. We are targeting down payment assistance to high-cost, under-served areas. With that, that concludes the single family portion of our mid-year update.

MS. HAWKINS: Are there any questions for Jerry? Jerry, I have one question as far as the delinquency ratios. The MBA ratio, is this including all loans? What loans are these? What category of loans?

(Chairman Wallace re-entered the meeting room.)

MR, SMART: That was the FHA/MBA rate, which is what a substantial portion of our portfolio represents.

MS. HAWKINS: Okay, I just wanted to clarify. So it was the FHA rate.

MR. SMART: Correct.

MS. HAWKINS: Or FHA loans --

MR. SMART: That was -- Yes.

MS. HAWKINS: -- that are over how many days delinquent, just for the record?

MR. SMART: How many? I'm afraid I don't have the total number of delinquencies at this point in time.

MS. HAWKINS: Okay. John, do you know?

MR. SCHIENLE: No, I don't.

MS. HAWKINS: Okay, all right.

MR. SCHIENLE: I might say parenthetically that

CaHLIF's delinquency rate at the end of the year is one half of one percent of the loans reported to us.

Robert Klein entered the meeting room.)

MS. HAWKINS: Thank you. Who is going to continue with the --

SCHIENLE: I am going to be next on behalf of CaHLIF.

MS. HAWKINS: Thank you, John.

MR. SCHIENLE: I have two slides. One shows production by loan type of last year's mid-year production compared with this year's mid-year production. The second slide, which you will see in a second, shows our goal versus applications that we have received so far for the half-year. The significance of applications for us is because our loan products are unique, lenders who originate in our programs have to deliver to us. So any lack of production is caused by delay, not by fallout, which is different from any commodity-type market.

(Tape1 was changed to tape 2.)

So on the first slide the long line represents the total. For last year we were at $120 million at this point. This year we are at $180 million so we have a 50 percent increase in production for the year. However, this is still 85 percent of our goal at this point and the difference is primarily we have a new loan type, an 80 percent first with a 17 percent deferred payment second, that we are implementing in high-cost counties. The production for that loan type is not yet underway and that is 12 percent of our goal for the year.

Our production, you might notice, is nearly almost all non-CHFA loans. Our CHFA production is at the left small bar. It is small and it will remain small compared with our FaMie Mae/Freddie Mac production, which is the balance of the loans. We have a Freddie Mac 100 percent loan, which is restricted by Freddie Mac in terms of its credit scores allowed. So that is a marginal product because of the credit scoreunderwriting that we are restricted to.

The next type is our teacher loans that we originated with STRS beginning a year ago. As you can see, that is a blank spot. Last year and this year it is almost tied as our largest production loan type. It is a 95 percent first with a 5 percent deferred payment second, 100 percent lending for the teachers, and it is being very well received. One feature we have in the program is an agreement we have with STRS which is that even though STRS is presently portfolioing the loans, they will securitize them and sell them later with a guarantee from either FaMie or Freddie. But we have a deviance from the standard Fannie/Freddie credit score guidelines. They will permit us to have 20 percent of the loans non-conforming to Fannie and Freddie guidelines. So in effect we have a product that is better than FaMie or Freddie on the street by having 20 percent that don't currently conform. Usually it's credit score differences.

Then our RDA 97, which we have now had for five years and it chugs along. It is now a 97 and 3 percent silent second, you may recall. The efficiency of that program is amazing. It is now five years old. After five years we have had one loss and that was for $10,000. The market has been kind to us but we think we have managed that program exceedingly well because it represents a broad 97 percent loan with a 3 percent silent second.

The next slide shows, as I mentioned, the goal at this time, which is slightly over $200 million. We actually have $236 million of applications which we believe will mostly be converted to production as time goes on. So that is the conclusion of my comments. Are there any questions?

CHAIRMAN WALLACE: Any questions from the Board? What is the typical processing time?

MR. SCHIENLE: For us?

CHAIRMAN WALLACE: Yes.

MR. SCHIENLE: Same day.

CHAIRMAN WALLACE: Julie.

MS. BORNSTEIN: Just one question, Mr. Chairman.

John, PERS also has a mortgage product that I think is fairly similar to STRS. Is there any interest or capacity to take a look at that product as well?

MR. SCHIENLE: Yes, we actually do -- Part of the in the production here is PERS, it is offered to the members. But it produce a lot of loans, mainly because it has a lot of competition in the market. The distribution system for PERS is entirely different from STRS.

MS. BORNSTEIN: Thank you.

MS. PARKER: However, we have -- John, is it fair to say we have been interested in trying to see if we can market some of our concepts to our other sister agencies in a broader way?

MR. SCHIENLE: Yes.

MS. PARKER: That is certainly consistent with the kinds of new products that John is looking at. Trying to produce, since he is continually putting himself out of business. Within the framework that we are operating, which is to try to be in that 97 to 100 percent loan, not get into the broader MI insurance pool. Consistent with what we believe was the Board's philosophy.

CHAIRMAN WALLACE: John, have you had discussions with *CAR*, Ron Kingston?

MR. SCHIENLE: No. We did a year or so ago.

MS. PARKER: Last summer.

MR. SCHIENLE: Yes.

CHAIRMAN WALLACE: But nothing concrete? Just kind of --

MR. SCHIENLE: (Nodded).

CHAIRMAN WALLACE: Okay, thanks. Carrie.

MS. HAWKINS: I would just like to encourage you to continue, John. I think unless one has been there on the underwriting side and originated loans you cannot realize what a delicate balance it is to make these high value loans and keep your delinquency rates down.

I can just tell you firsthand why CaHLIF is so successful. They don't cherry pick their loans. These people truly are the low and moderate income people. However, they know how to underwrite them and they know how to handle it after the loan has been made by having very aggressive follow-up once a loanbecomes delinquent. From my experience -- and you still continue to do this.

MR. SCHIENLE: Yes, absolutely.

MS. HAWKINS: You have got to have intervention immediately after a loan becomes delinquent. Because when someone goes down two to three payments they can never get caught up. You have got to catch them in that first month of delinquency, and that is what CaHLIF does. They don't just rely on the lender to do it as efficiently as they perhaps should. They don't rely on that. They enhance that and reinforce that to determine it so they can protect their portfolio and continue to do this. So I commend you for what you have been able to do and continue to do, because that is that segment of the population we need to continue to reach.

CHAIRMAN WALLACE: With all those accolades, why can't we do more? What is holding us back?

MR. SCHIENLE: According to Standard & Poor's as of a few years ago, the market for 97 percent loans and above among mortgage insurers is only 3 percent of the mortgage insurers' market, so we are operating in a very small niche. Production for lenders is usually 90s and 80s, that's 97 percent of the market. So we operate in a very small niche and we have to cooperate with lenders who are willing to invest in that niche market. There are some that are very large, like Countrywide, North American and Wells Fargo, that by virtue of their own production size do generate a lot of high ratio loans. And those are the types of lenders that we can work best with to achieve our production goals.

So it is still -- Our primary opponent is the GSEs, Fannie and Freddie, who want to have high credit scores. Our tradeoff with them is to offer them 50 percent coverage so that if there is a loss they are covered.

But nevertheless, Fannie Mae most recently came out with Desktop Underwriter 5.0 version. In it, it has loan level pricing so that a credit score of 620 on a 97 percent loan, that is a lower credit score with a lower equity, creates a surcharge for Fannie Mae and a fee income.' They have three levels that will add on 40 basis points to the loan interest rate, 80 basis points or 120. So, in effect, they are segmenting the market by FICO and by loan-to-value and extracting premium pricing for their own bottom line. That's what we are up against. Where they are willing to we give them 50 percent coverage and avoid that higher pricing but that is the friction between us.

CHAIRMAN WALLACE: Why would anybody take a CHFA loan when they can get a Fannie and Freddie loan in this 3 percent category?

MR. SCHIENLE: You meant the reverse, right? Why would someone not take a CHFA loan?

CHAIRMAN WALLACE: Right.

MR. SCHIENLE: Right. By all means they should take a CHFA loan compared with a Fannie/Freddie in that environment.

CHAIRMAN WALLACE: Because they are paying a premium to get the same quality loan. Why do they do that? Do the lenders sell them on Fannie and Freddie? What are we missing? If we have got a better loan what are we missing that we can't get more of the market?

MR. SCHIENLE: Oh, you mean CaHLIF loans. Well, in part, Fannie and Freddie dominate the market, absolutely.

The lenders don't want to negotiate too hard on the niche product that we offer but rather negotiate hard on the big production, which is the 90s and the 80s. The guaranteed fee involved there and how low they can get that guaranteed fee for competitive purposes. We are the tail on the dog.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Many of the cities in California, particularly in Northern California, missed their housing element goals. ABAG recently put out a report that statistically outlines this pretty clearly for the Bay Area. Are these cities in the ABAG region, as well as cities throughout the state, well-informed on the difference, for example, in the interest rate that would occur under our loan program versus the FaMie with the surcharge, for their affordableprograms? And what roles do the cities have in really serving as an advocate for the buyers so that the buyers do get the advantage of having this lower rate?

MR. SCHIENLE: That's a good question. The change in the desktop underwriter just occurred beginning in November and it even caught the lenders by surprise who did not realize what they were getting. I noticed in the Wall Street Journal,. I think it was Monday of this week there was **a** story which I read between the lines and believe to be a Fannie Mae story. Because what it did was describe the *home*-buying process now where a buyer can submit his information on-line, and in this case at the end of the day came home to find that they had a very nice interest rate proposal for them, much better than they expected. It was a buyer who had something like 30 percent down and had a very high FICO score.

Then at the end of the story it said, however, not all housing advocates like the new system, the pricing on a loan level basis. But it is the wave of the future that minorities--1 don't know if they used minorities--but lower income people might expect to see higher pricing on their loans as a result. So this is kind of sliding in. There's no one yet who is ringing a bell. Because the volume of the business for this kind of loan is so small compared with the general production for all lenders I'm not sure that anyone is going to take up the case.

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

CHAIRMAN WALLACE: Okay, Linn, let's put you front and center on multifamily.

MR. WARREN: Thank you, Mr. Ch irman.

CHAIRMAN WALLACE: We have a handout, do we not?

MR. WARREN: You should have handouts of all of the materials. The first graph that we have here today indicates the Board approval activity for this fiscal year. As you can see today, although we have new applications we do not have any new products. For our March and May Boards we are anticipating approximately $20 million for March and $39, almost $40 million for May. These represent loans that are in our pipeline, both taxable and tax-exempt and a broad product range.

This graph will give you a better indication of where we are relative to our multifamily goal. This year's Business Plan calls for multifamily loan activity in the amount of $200 million. We are at $169 million right now and we certainly feel with the pending volume we could easily achieve $230 million for the coming year. By way of comparison, at this time our total multifamily production for last fiscal year was $167 million so we have exceeded that. Like I said, we are comfortable that we can achieve the production goal for the coming year.

This pie chart will give you an indication of the product mix. As with last year and this year the majority of our projects are preservation in nature. These are projected totals through the end of the year. But a couple of components are changing with respect to our portfolio. The first is, we are encouraging more new construction projects so we have had a good increase in that area and we are looking in excess of $60 million of new construction for this year.

The yellow piece of the chart indicates special needs. This is up substantially from last year and due primarily to the passage of the Supportive Housing Initiative Act, which links operating funds and other subsidies with special needs. So the Agency is attempting to leverage its involvement with special needs with the passage of this act.

Mid-year accomplishments: We will run through a few of them. We introduced two new loan products this year; the Board has actually seen both of these. The first is Loan-to-Lender for taxable and tax-exempt. The Board has seen the taxable product and at the March Board meeting you will see the tax-exempt.

The basic plan behind Loan-to-Lender is in those particular projects that are paying prevailing wage we would pass-through a low tax-exempt bond rate through a construction lender who in turn would pass on the savings to the borrower during the construction period. At the end of that period, the loan would defer to a CHFA permanent loan. The underwriting process is identical except we would add the component of a lender loan agreement to the process.

The second is the re-funding of local bond issues. This is where localities obtain bond allocation. Again, our underwriting process is the same. Most of these loans, as you recall, are placed with private lenders, there's private placement for the bond issue. After the two or three-year construction period CHFA would re-fund these bonds. This allows the lenders to take these in private placement to achieve some liquidity. It allows, also, the localities to be involved and to certainly control the bond process, which more of them desire to do these days. And coupled with the long-term permanent debt financing that CHFA can offer we think it is a good combination of all those components.

In addition to that we have implemented a new process to revisit our design review process and we like to think that the increase in new construction projects is reflective of that.

We have also directed our architectural staff in our Culver City office to revisit our architectural guidelines with respect to energy efficiency issues. There are the normal and customary components we look at which are Energy Star appliances, window sealants and other components but we are also asking them to look at renewable energy sources for projects themselves. As you saw from the earlier project today, solar panels sometimes don't work. We are revisiting this whole area of photovoltaic and solar with the understanding that this time, when we look at it, we need to have products that can last for the 15, 20 or 30 year term. So from that standpoint, we probably will be requiring manufacturers' warranties.

Moving along. The 236 program. We are continuing our marketing process for that. At the March Board we will be presenting to the Board a Business Plan, a marketing plan for our 236 Fannie Mae portfolio, but we are already starting to talk with for-profit and nonprofit buyers for the purchase of these properties. We found, however, that a number of the loans in the FaMie Mae 236 portfolio were owned by nonprofits, far more than we had thought, so a new component of the marketing plan will involve refinancing, 501(c)(3) financing, to recapitalize many of these 236 programs in the future.

From a production standpoint, year-to-date we have closed 18 loans. Approximately 2,500 units representing $196.3 million. We have extended loan approvals, again, for 21 loans, 2,477 units, again, for $169.9 million. So the group has been fairly active year-to-date and the activities indicate they will continue.

Along those lines we are underway to recruit additional staff. Clearly, we have a fairly ambitious Business Plan. As we keep our rates low, more and more folks are bringing us transactions to finance, so we have embarked on a plan to hire team leaders for both the north and south underwriting teams and financial analysts, which are the two main groups that we have. That process is underway and hopefully we will have some good news for you at the March Board meeting.

For this coming fiscal year, there are a number of new initiatives that we are beginning to look at. These are opportunities in addition to the existing loan products that we have. Because there is new legislation that was passed, the Agency certainly feels there is a role for us in financing these types of projects.

The first has to do with assisted living. As many of you recall, the Aroner Bill was signed by the Governor last year, which introduces Medicaid waivers for the first time for assisted living projects. This is a model we hope can be replicated from other states around the country. Clearly, many of the other HFAs that we know of around the country are very involved in financing assisted living. We feel that it is appropriate for CHFA to be involved as well, and part of our goal here is to develop a loan product or loan products that complement the provisions of the assisted living legislation.

In addition, we have HCD-related programs, mainly MHP. As more programs are developedby HCD, we want to do our best to build complementary programs to leverage the resources that HCD is bringing to the table. So this will be an ongoing process. As our friends at HCD develop these, we will certainly try to work closely in conjunction with them.

At the end of last year there were a couple of major pieces of legislation that were passed, the bond cap included. But one of them had to do with HUD 202 projects and these are elderly projects that are owned by nonprofits. The legislation that was passed in December will allow syndications and refinancings, and in some cases, conversion to assisted living. Most likely the regulations that will be promulgated, for these will take about a year, which would be typical for Washington.

But it does present a significant opportunity for CHFA to assist in the financing and refinancing of these 202 projects. Many of them are now approaching 20 years old so we view this as almost a preservation. The underwriting guidelines that we would employ for the Medicaid waiver-type projects could also be applied here because underwriting assisted living projects do require a different set of criteria. So we are excited about this. We don't know when the regulations will be out. We could be having this discussion at the same time next year. But that said, staff will be looking at these as they develop.

The second area is somewhat different. Also at the end of last year the new markets legislation was passed. And although new markets is not a housing program per *se*, it is an urban metropolitan development-type program. In the continuum of job/housing balance we think it is appropriate that CHFA look for loan products that can complement low to moderate income housing as new market developments are produced, with still the demand for cap and for credits. The product that we may wish to look at is a taxable product, which can be done fairly quickly, with incrementally higher income limits that could complement some of these urban in-fill or smart growth-type projects.

The second area also in legislation last year was brownfields. As sites become increasingly scarce from a pure underwriting standpoint, multifamily will need to look at the underwriting criteria for brownfields, particularly with respect to the business of circling. Insurance guidelines, environmental insurance, all of the above. I think that the Agency needs to be prepared to tell the industry what we will require with respect to these types of sites.

The last component that we have has to do with preservation. Commencing this year, a number of groups around the state are beginning to develop their strategies for the first series of aspiring tax credit projects. The tax credit projects of 15 years ago are not similar to those of today. Restrictions vary and clearly some of them may be at risk. So as many of our borrowers begin to examine these portfolios on a proactive basis, we intend to work with outfits such as CHPC and others to develop, again, a set of loan products that would help preservation. So what we have learned, or maybe failed to learn earlier on the Section 8 preservation process, we wish to apply to the tax credits.

And the second area, on Section 8, with the change of administration we do not know what the position of HUD will be with respect to preservation, renewal of contracts, Mark-Up-to-Market, all of the above. So many of the concepts and assumptions we have for our preservation program today may be modified and may change. As those change our underwriting, we need to adapt to that accordingly.

So that is on the horizon. These are things that I said at the outset that are in addition to our normal and customary businesses. Some may accelerate faster than others but we feel an obligation to certainly be prepared to develop new products accordingly. So with that I'll conclude and be happy to answer any questions.

CHAIRMAN WALLACE: Any questions from the Board? Bob.

MR. KLEIN: The Medicaid waiver program passed as a prototype program, where I believe they are going to report back to the Legislature January 2003.

MR. WARREN: It has, yes.

MR. KLEIN: So in what context would we proceed? Would we try and interface directly with the Administration and participate in the prototype program, or would we try and design programs for projects that would go into construction after 2003? Where would we fit?

MR. WARREN: I think we would like to be involved, Mr. Klein, at the outset with the prototype implementation.

Have dialogues with the Long-Term Care Council. I know I have discussed this with the Executive Director as to what is the appropriate way for us to be involved. Clearly, if our piece of it could be involved early on so that when 2003 rolls around--obviously there is a very long development period for this program--we are ready to go.

MS. PARKER: Mr. Klein, I think what Linn had said at the onset was that there was legislation that was passed and signed by the Governor to call for the Health and Welfare Agency to take leadership in developing a Medicaid waiver. Since they are the single state agency they would be the ones submitting it. They have a working group involved in this. Since other housing finance agencies throughout the country do participate in these kinds of programs we think it is important for us to look at this as a potential product, and in that sense, be seated at the table in those sorts of discussions.

MR, KLEIN: So CHFA would participate in the working group. Is that it?

MS. PARKER: That is a possibility. We could either be involved in a working group or more proactively, depending on what the interest of the Board is for new product development.

MR. KLEIN: Theoretically, we could play a leadership role by, in the prototype phase, doing some projects very early and proving out or disproving how the rules are working..

MS. PARKER: We have made some initial discussions at least trying to point out to our colleagues at Health and Welfare that our sister agencies in other states, some of them are doing this and would be happy to share with them. There are resources available, people who are doing these things. So that, at a minimum, is where we want to go from there.

MR. KLEIN: Thank you very much.

CHAIRMAN WALLACE: Any other questions from the Board? Julie.

MS. BORNSTEIN: Not really a question but a comment. I am excited to see some of these new opportunities listed in the Business Plan. I wanted to comment specifically on the new markets and brownfield section. Governor Davis last year rolled out a new program called Downtown Rebound, which we just were eligible to start funding on January 1. I can indicate to the Board and to the audience that the interest in that program has been extraordinary and we expect to fully expend the funds that were in that program.

And that does fund multifamily limits above our usual limits. It does allow us to go to 150 percent of median because of the public policy interest in revitalizing or creating these new markets in central cores. In many cases, brownfields are the issue, but we are looking at mixed-use properties. Adaptive reuse of properties that are already built but not used for housing and adapting them into housing uses using existing infrastructure. So I am very happy to see that on the list of new business opportunities. I think it would be a nice complement to that program.

CHAIRMAN WALLACE: Further questions? Jeanne.

PETERSON: I would just like to add, also, that I think everyone knows the commitment to smart growth and to bringing new opportunities to areas of community and neighborhood revitalization. In that regard the CPCFA, which is the--I was trying to think of what it really is called--the California Pollution Control Finance Authority is also rolling out a new product with respect to brownfields and will be making monies available for preliminary investigation and cleanup of brownfields. So that also fits very closely with plans from the Treasurer's Office.

Also, to indicate an interest in the assisted living projects, which we do know, as has been said, that there are a few. Not terribly many but a few other state agencies across the country have been doing that. They generally, like almost all affordable rental projects these days, need tax credits in order to be economically viable and that's really where the issues have arisen. So I will be very interested in participating in that in *my* capacity at the Tax Credit Committee.

And lastly, I am also excited to see that **CHFA** is going to be exploring opportunities to preserve expiring tax credit properties. And I assume that meant without new tax credits, right?

MR, WARREN: That is correct. That is one of the understandings, yes.

M$, PARKER: Mr. Chairman, what I would open up before we get into the topic of the usual discussion that we do at this time of the year from the standpoint of presenting these concepts for your consideration, that we would then, the staff would then go **back** for the March meeting to start fleshing more of these out.

There is an issue that I need to bring to your attention. We have not brought this to your attention in our usual update meetings because it has not been an issue. That is, normally at this particular point in time, every other year we have submittedproposed legislation to increase our bond cap. We are at a position right now where we do not have approval to do so. So I asked Ken to put together a slide to make you aware of where we are with our authority to sell debt.

I think it is important for you to know this because we need to either focus our discussions, from your perspective to us, how that would be moving forward with doing our business in the current year and also our business development for planning purposes in the March and May meeting. So I will ask Ken to show you the slide.

MR. CARLSON: *Thank* you. *Mr.* Chairman, the slide here shows the results of the analysis that we have done of how fast we are starting to grow. **As** you know, or as you may not know, we are retiring a lot of debt eachyear at the same time that we are selling new debt. But we are starting to grow at a rate of about $1 billion a year or slightly higher, $1.1 billion during the year 2000, even after looking at all the principal retirements that we have had in our bond program.

So what this does is begin to run us up against the statutory limitation on our bond indebtedness, wh ch we got raised effective January 1, 2000 to **$8.95** billion. So we have drawn a line there showing where that is. Right now we are at $7.12 billion. **As** you can see, exactly a year ago we were just over ***$6*** billion, so we are growing fast. We think it is very likely we will continue to grow at roughly the present rate. We projected out for the next three years and you can see there that sometime in mid-2002 it looks like we would **run** up against the current debt limit. As Terri suggests, we need to figure out how to deal with this.

I did pass out also another type of analysis that we did, just showing what other state housing agencies, how they are situated. None of them are growing the way we are. But first, what is interesting is that 25 of 50 states, their housing agencies don't even have statutory limitations on their bond indebtedness. But of the other 25, we looked at the five largest, including ourselves, and you can see the table there, they are not growing or not growing nearly as fast as we are.

We are the only one of those large state agencies with over $2 billion of indebtedness who looks like we are going to run up against our cap next year. You can see others there on that table. I think the earliest at the present rate they are growing they would run up against their cap is maybe five years from now. Anyway, that's just another type of analysis that we did.

MS. PARKER: Also one last thing. When we had early initial discussions about proposing legislation we had talked about, since we pursued legislation the past nine times -- Bob, you may recall this from the standpoint of the legislation that initially created this and the discussion about the cap or no cap and at that point in time what kind of bonds there were to sell.

But we had thought because the Treasurer's Office had eliminated the cap on a couple of other authorities we would see if there was an interest in elimination of the cap. And if not then we would essentially talk about what would be a cap amount that would give people comfortability in order for us to do business. So we started out with the concept of elimination of the cap and I think that has sidetracked and created some problems.

But I think fundamentally where we are at in our discussions that we have been trying to have internally within the Administration about this is that at this particular point in time we have a concern about the ability and capacity to do business given our time frames with our consumers. So in that sense from a planning standpoint we need to talk about whether or not we try to slow down things, refocus ourselves or whatever, from the standpoint of how we move forward.

CHAIRMAN WALLACE: Julie.

MS. BORNSTEIN: Just one quick question.

CHAIRMAN WALLACE: Mark, were you ready?

MR. HARRIS: Yes, absolutely.

CHAIRMAN WALLACE: I missed you.

MR. HARRIS: That's all right.

CHAIRMAN WALLACE: I think Mark had his hand up first.

BORNSTEIN: Okay.

MR. HARRIS: 1/11 defer.

CHAIRMAN WALLACE: And I am anxious because I know he is leaving and he has some concerns in this arena. So I am going to ask --

MS. BORNSTEIN: I would be happy to defer.

MR. HARRIS: Thank you. Just a couple of things, Mr. Chairman. One for clarification. Ken, the chart that you have up here does not reflect the amount of debt that is going to be retired any given year? You're plus or minus $1.83 billion under your current debt cap at the 7.12, but I don't see any reflection on that for whatever is going to be retired over the course of that year.

MR. CARLSON: Mr. Harris, that is net after retirements.

MR. HARRIS: Okay.

MR. CARLSON: Thank you.

MR. HARRIS: All right. Because all of the information that I had seen did not indicate that was net. That's one question, thank you. Second point for me, Mr. Chairman, what the Executive Director has indicated is contingencyplanning, and probably a good idea to have contingencyplanning. I guess I am a little confused about why that planning had not takenplace up to this point, or why it had not been presented to the Board? All of us around the table--Julie Bornstein is the biggest expert on this--understand the inability to be able to predict with any certainty what action the Legislature ultimately **is** going to take.

So I would have thought that prior to it coming to BT&H Agency that there would have been some planning taking place, looking at what happened if the Legislature had rejected the proposal outright in its former form, for lack of a better way to put it. I know we are in discussions now and I do not want to go too far down the path of discussing where this may ultimately wind up from an Agency standpoint.

But I will say that I am a little bit concerned that the first indication that I have had, and that more importantly, Secretary Contreras-Sweet has had, that there is a requirement for some degree of contingency planning, is now taking place as a result of the Agency's decision, as endorsed by the *Governor's* Office, not to go forward with the proposal in its current form. So I guess I would like to hear from either the Chairman or the Executive Director some response to that question.

CHAIRMAN WALLACE: Basically, let me take a crack at what I think you are getting at, Mark. First of all, we have been doing these annual long-termplans since I came on the Board five or six years ago. That's when we purposefully set out, on basically a five-year ahead basis, what the environment is going to be. Number two, I know the Governor personally pulled *Terri* aside right after -- she was on his transition team and he pulled her aside and said, Terri, I want you do $1 billion next year. That was last year. So we have kind of been ratcheting up in our Business Plan to meet those goals.

Thirdly, the market has been great. There is an unlimited demand, almost. I am on the BRIDGE Housing Board of Directors, and have been -- I'm a founding director. One of our precepts -- And we do a ton of this kind of stuff with CHFA and elsewhere. It's almost an unlimited demand, especially in the coastal cities. So when you put all those things together, we are always contingency planning.

We start each year in January. They come and we give them this overview. Then we come back in March with the input from the Board, and they get more precise and in May we adopt a plan. We are long-term planning, and contingency planning, almost all year long.

I am the former head of an agency within BT&H, Department of Real Estate, in the first half of the 90s and I understand how the system works. And I can tell you, we started long-range planning over there back then too. But this has really taken us to another level where we are kind of trying to touch and feel our way ahead -- and the demands on a continuing basis, Mark, which isn't the form in most governmental agencies and a lot of private enterprise as well. I think we are trying to do our contingency --

And we kick these back and forth. If you came back in March--Pat will probably be here--you would see the result of a lot of the discussions and the reports, what we have with more specificity. So --

MS. PARKER: Mr. Chairman, could I add to that?

CHAIRMAN WALLACE: Sure.

MS. PARKER: Mark, to answer your question to me. I would have actually brought this to the Board at our December meeting had not *my* understanding been initially that the proposal had been sent forward to the Governor's Office approved.

MR. HARRIS: But, Terri, **that's** *my* point. That, I guess, presupposes that the Legislature, once approved by the Governor's Office, approved by the Agency, approved by the Governor's Office, would also approve the proposal. And that is the part of this I do not understand. That is the basis for *my* question.

CHAIRMAN WALLACE: But they have almost routinely for us because they have wanted -- The Governor wants us to be one of his prime housing programs.

MR. HARRIS: They have never approved the removal of the cap, that I am aware of.

CHAIRMAN WALLACE: Removal of the cap. I think we should have a separate discussion on whether we are at that point in time, Mark.

MR. HARRIS: **That's** fair.

CHAIRMAN WALLACE: I think that is a fair question. I can hear some pros and cons on that. But almost routinely. Nine times we have gone to the Legislature and the Legislature -- And I have made some of the visits to the Senate Housing Chair to brief them and say, here is what we are trying to do. It has almost been de facto approval, we have never been turned down. Both the Administration and the Legislature have been very supportive of CHFA's increasing their capacity. Julie.

MS. BORNSTEIN: In fact, Mr. Chairman, that was *my* brief question. I have a recollection of voting on a cap increase for CHFA when I sat on the Housing Committee in the Assembly and then on the floor of the Assembly. And it is *my* recollection that once these get past the first policy committee **it's** been on consent. Has it not? Doesn't the cap increase usually go through the Legislature with unanimous support?

CHAIRMAN WALLACE: Tell us who you are and who you represent, Diane.

MS. RICHARDSON: Diane Richardson, I am the Legislative Director at CHFA. And it has been fairly routine. It has not always been a consent item. In the past, there has been some concern from some Republican members that just generally do not vote for any kind of debt increases at all. And it's the far-right members, you could probably guess who they are. But it's a small handful of votes. Generally, it's gone out of the appropriations committees, on the consent calendar. Pretty much out of policy committees on consent as well.

BORNSTEIN: That was my recollection. And I guess one other point that was impressed upon us in the Legislature is that CHFA's debt does not rely on the full faith and credit of the State of California. This is not a debt of the State of California so it is not applicable to the State's debt limit nor does it affect the State's bond rating.

MS. RICHARDSON: That is correct. Our statutes specifically say that there is no obligation of the State of California if something should happen to our debts. But, Ken, we have never not paid off a bond, right? So it has never been a problem.

right.

MS. RICHARDSON: Not even close.

CHAIRMANWALLACE: Peter? Peter Block is here too from Standard and Poor's. How does all this interplay from your agency's perspective? He is here for another purpose so this is a spot quiz, Peter.

MR. BLOCK: From a credit perspective for HFAs, bond caps generally are not significant, simply for the fact that the debt is usually asset-backed, and if it is not asset-backed, it is backed by the general obligation of the agency. We only have concerns if an agency issues too much of its own general obligation debt but not debt in and of itself.

MR. HARRIS: I don't understand that last one, Mr. Block. Can you kind of go over that for me again. If they issue --

BLOCK: Agencies can issue mortgage revenue bonds, typically, okay, and that's Most of the bonds that CHFA issues are mortgage revenue bonds. They are backed by mortgages for repayment. So if CHFA issues a dollar in bonds and they are backed by a dollar in mortgages, we would calculate the probability of those mortgages repaying those bonds.

There are some instances where agencies such as CHFA will also pledge their general obligation to those bonds as an additional credit support in addition to the mortgages. In some of those cases, the mortgages are deemed of lesser credit quality than the agencies' full faith and credit. In CHFA's example, they have general obligation bonds that are rated AA-, which they use to back their multifamily bond resolution.

Because Standard & Poor's has not done an analysis of the loans backing those bonds we will rate those bonds based on the general obligationpledge of CHFA. Now, to the extent that an agency is issuing a significant portion of its debt as general obligationbonds, we would then have a concernbecause that agency would then deem to be on the hook to repay those bonds. But in and of itself, issuance of more bonds does not raise a red flag.

MR. HARRIS: Even an unlimited amount of bonds.

MR. BLOCK: That **is** correct.

MR. HARRIS: Okay.

CHAIRMAN WALLACE: Because we're backing them with mortgages, basically.

MR. BLOCK: That is correct. We do have concerns where agencies--and CHFA is not in this situation--where agencies are issuing general obligation bonds for other purposes. We have that situation in Alaska right now.

CHAIRMAN WALLACE: In general, you are rating us pretty well these days.

MR. BLOCK: I would say so. CHFA's general obligation rating, or as we call it, a general obligation issuer credit rating, is **AA-**, which we just affirmed.

CHAIRMAN WALLACE: Which is right up there as far as housing finance agencies are concerned.

MR. BLOCK: Correct, yes. Most housing finance agencies are rated in the AA category. Some are rated in the single A category and we have one that is rated in the BBB category. We currently do not have any that are rated **AAA**, which is our highest rating.

CHAIRMAN WALLACE: Thank you, Peter. Jeanne, did you have a question?

MS. PETERSON: I have a question and a comment. I may have missed something. **I** was certainly aware of conversations about the possibility of going for a removal altogether of the debt cap but I am not quite sure, and maybe I did miss it or maybe everybody knew it but me, about what the specific proposal that may not be gaining support from the Agency is. And I would like to know that and then I do have a comment.

CHAIRMAN WALLACE: Okay.

MS. PETERSON: Is there an amount that was proposed that is maybe not being supported?

CHAIRMAN WALLACE: **Terri**, you better chime in, but initially didn't we go to Agency and suggest maybe we didn't need a cap?

MS. RICHARDSON: Right.

MS. PETERSON: That I was aware of.

MS. RICHARDSON: Eliminating the debt cap.

CHAIRMAN WALLACE: Eliminate the cap.

MS. RICHARDSON: That was basically the proposal. There's statutory language that specifically limits the amount of debt that we can have.

MS, PETERSON: Yes. We see what it is.

MS, RICHARDSON: It was just to simply eliminate that language.

MS. PETERSON: Right.

MS, RICHARDSON: There would have been no cap.

CHAIRMAN WALLACE: And that was shot down somewhere along the line or withdrawn.

MS, RICHARDSON: I think that -- I guess that's sort of a fair -- We're still discussing the entire parameters of the proposal.

CHAIRMAN WALLACE: Okay.

MS. RICHARDSON: But I think that it is fair to say that enough people were uncomfortable with totally eliminating the debt, so we have come back with an alternative proposal to just simply increase the cap.

MS. PETERSON: And that was *my* question, what is the proposed increase?

MS. RICHARDSON: The last time it was increased *it* was 2.2 and I think that -- That is still completelyunder discussion. Nothing has been decided or settled.

MR. €€ARRIS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Mark.

MR. €€ARRIS: As the person who is evaluating this on behalf of the Agency at the direction of the Secretary, the only proposal in tangible form is the one you made reference to. The proposal which was approved by the Agency for the purpose of meeting the internal administration deadline as mandated by Secretary operation in the Leg unit, that proposal was given, basically, a tentative approval to allow further discussion.

Upon reconsideration, it was determined by the Secretary that a complete removal of the cap was not a prudent way to go forward in this area. So she requested, and as I understand it, it was granted, that that proposal be returned to the Agency pending further examination, discussion and any alternative. There is no tangible alternative that officially has hit the table yet as far as the Agency is concerned. That is where we are today.

MS. PETERSON: Thank you, I just needed that clarification. I guess I would also like to comment that coming from one of the agencies that is listed on the sheet, and knowing that there were discussions even with us at the Treasurer's Office about the proposal to remove the cap, it may be understandable that caps are set for a variety of reasons. Oftentimes, I know the Legislature likes to look at what is going on in an agency when there is some kind of a sunset or a cap provision involved. It certainly can impede the regular progress and planning, I believe, for a housing finance agency not to have a cap that is--1 mean, if there is going to be a cap--but not to have a cap that allows for that(

planning and that expansion.

I do note that **CHFA's** debt has increased tremendously and that seems to be in keeping with what certainly the Governor has wanted to happen, certainly what the Treasurer, for whom I speak, has wanted to happen, has urged to happen in the last two years. These are the kinds of things **CHFA** is doing, the kinds of things, by expanding its lending activities, that we certainly believe in. Quite frankly, having been general counsel for a large housing finance agency, I would be looking at this and saying, gosh, if we are going to cross that line it looks like sometime within the next 18 months of what the current cap is, that you really have to back that way up. Because developers, for example, and potential borrowers will be coming in about now, probably, or in the next couple of months.

And to the extent that staff would have to say, we don't know if we are going to be beyond our debt cap. That, in my opinion, would have a very chilling effect on people who are users of the Agency. That was one reason I was interested in knowing if there is a specific proposal. But it certainly seems to me that there needs to be something and it needs to be increased and it probably needs to be increased as quickly as possible in order to allow **CHFA** to continue to be doing business as usual and to be planning for the things that we all as Board Members want it to be doing.

MR. HARRIS: Mr. Chairman, that was the point of my original question. Having served in a variety of different capacities in government and in the private sector, it seems to me that alternative planning, when one needs legislative authority in particular, is a good idea. And my point simply, on behalf of the Secretary of the Agency, is irrespective of how the story ends, relative to the approval or the lack thereof on any given proposal.

I would suggest strongly to the CHFA Board and the CHFA staff that alternative planning go forward in the event you do get authority from the Agency and the Governor's Office to move forward with the proposal. With all due respect to my colleague Julie Bornstein, this may be the time the Legislature decides to do something different relative to approving it at any level. They may reject it. And if they do, there seems to me to be some prudence in having an alternative in the event you don't receive legislative approval.

And I know that is so simple that it is a point that did not need to be made. But I would only suggest that it probably is a good idea to have alternative plans in the event -- Maybe you do five scenarios. These folks are very bright and I'm sure they can do spread sheets that can chart out a number of scenarios. A $1 billion increase, a $2 billion increase, a $5 billion increase or no increase. And to show you what happens as a result of any of those or any one of those happening. I would strongly suggest that your Board would be best servedby a staff that presents alternative planning.

CHAIRMAN WALLACE: Hear you. Bob.

MR. KLEIN: Mark, I would just like to say that I think it is good counsel to proceed as quickly as possible with an increase. And I would suggest that looking at that debt line, the increase this year may well be substantially above historical increases because in December the feds increased the cap on bonds. It is likely that CHFA would, predictably, get a portion of that increase so our debt would, in fact, increase faster than our historical pace.

We may cross that line much earlier, particularly because the staff has done a great job in expanding the multifamily opportunities and the outreach to try and preserve a tremendous number of units of affordable housing that are expiring today all over the state. We are going to have huge dislocations in the state if we don't, at CHFA and other agencies, step up the preservation effort. The multifamily effort in particular has really taken great leaps forward at CHFA in the last year.

So I would expect this is going to increase faster and I would give very strong support to the staff to get a cap increase as fast as possible. Because as the staff knows, as Jeanne mentioned, we are dealing with major developers. They are looking at their tax planning, they are thinking a year out, and are we players or are we not. If we are not going to have cap available they are going to cross us off the list. With cities we are doing multi-year programs, whether it be redevelopment or something else. They want to know two years from now are we going to have cap available.

So I would very strongly support moving forward with a definitive cap that we get on the books as quickly as possible. Because we are going to be charged with the additional federal cap available going downstream quickly. And and the rest of the staff have done a wonderful job in positioning us to take advantage of that opportunity.

MR. **HARRIS**: Thank you.

CHAIRMAN WALLACE: Mark, just let me make sure. I think you are objecting to our increasing our cap limit. You may be objecting to taking off the cap entirely.

MR. HARRIS: Absolutely. That's correct, that's correct.

CHAIRMAN WALLACE: That is another issue.

HARRIS: That's correct.

CHAIRMAN WALLACE: But increasing the cap limit, I don't think you're saying, no. You are saying, let's look at various levels. Maybe stay where we are, increase it by a half a billion, a billion, and/or give me some time frames for the amounts of alternative increases that you think.

MR. €€ARRIS: That is absolutely right on, Mr. Chairman.

CHAIRMAN WALLACE: I think we can do that. Can you stick around or do you have that --

MR. €€ARRIS: I'll stay, absolutely.

CHAIRMAN WALLACE: Yes, Julie.

MS, BORNSTEIN: Since *my* colleague is giving me the mantle, I guess, of legislative historian I might point out that I believe the deadline for submission to Leg Counsel for this session is January 26. So it is doubtful that this Board would have an opportunity to meet again or have any presentation from staff as to the information that has been requested. And while we could, if approval is granted by the Agency, certainly submit a bill without an author, the normal tradition is to have an author before January 26. Certainly time is of the essence.

But I would also indicate it is consistent with Mr. Klein's comments and Ms. Peterson's comments. In addition to the advance planning of developers and municipalities, the augmentation that we received last year and the additional several hundred million dollars the Governor just announced two days ago for our budget depends on the activities of those developers. It is meant to encourage the activities of municipalities. Most of our direct funding is usually coupled with other sources of funding, including but not limited to CHFA or tax credit.

So if, in fact, there is action by this'staff to do scenarios at no cap increase, a $1 billion cap increase, $2 billion, whatever comes out, then I would offer the services of our staff to show how our programs would be impacted as well by the lack of activity of CHFA of a no cap increase or of a small cap increase, as well as its impact on the Jobs/Housing Balance Improvement Fund which the Governor is now proposing to fund at $300 million. There will be definite impacts on those programs as well if CHFA declines in its business or stops altogether. So we will be happy to cooperate and run those scenarios as well.

MR. HARRIS: The more the better.

CHAIRMAN WALLACE: Any further comments from the Board or the audience on this item?

MS. PETERSON: Just to clarify that it is not necessary for this Board to take any action to request the increase.

CHAIRMAN WALLACE: No.

MS. PETERSON: So that could happen by January 26.

CHAIRMAN WALLACE: Absolutely. I expect, Mark, we will have a bill in there in one way, shape or form. We will run it by you and the Governor's Office as protocol calls for forthwith.

MS. PETERSON: Is the Department likely to approve something that would be in the straight line or in the line with what it has in the past?

MS, PARKER: I think what we had talked about the other day is essentially coming in with a proposal that at a minimum would be consistent with the cap increase that we asked for two years ago, which was an amount prior to getting the caps raised by 50 percent and also the Legislature and the Governor's budget and the most recent Governor's proposals for housing.

So in that sense I think we figure we have been coming in with increasing amounts. 2.2 is what we came in. We don't think given that environment we would want to come in from less because that might signal, why would you be less in an environment where there is the opportunity for more. So I think what we had -- Actually, Di has been tasked with this. To revise and put together a legislative proposal that would have that, in fact, proposal in it.

So I think that was kind of where we had come from. We thought if we did that, that would be viewed along the lines of how our debt caps have been viewed in the past, as just a technical proposal. In that sense, no policy issues would be raised that would be raised if we had something that went forward with elimination of the cap in totality. We think at this particular point in time that there's wide arrays in policy concern. We don't need to. What we need to do is just be able to be consistent with our processes in the past.

MR. HARRIS: Mr. Chairman, I don't want to speak in excess of my authority and leave a false impression, although this still has to be submitted for the Secretary's consideration and approval. As we left it within the past week, she was not prepared, as Terri knows, to support the cap removal. No other proposal, tangible proposal, has made its way to her desk for her consideration.

So while I agree with your earlier comments, I was speaking as an individual and not on behalf of the Secretary on that one. I have still got to, as the rest of us do, try to help her get to a point of comfort with the incremental approach of maybe anywhere from a 2 to 3 billion dollar increase approved in this session.

CHAIRMAN WALLACE: But I sense you will influence her. You have influence over the Secretary in your areas of expertise. (Laughter).

MR. HARRIS: The record will show that Mr. Harris was silent on that point. (Laughter).

CHAIRMAN WALLACE: Are you going to abstain again?

MR. €€ARRIS: I am going to abstain on that one, definitely.

CHAIRMAN WALLACE: We would expect you would have considerable influence in being an active participant in this discussion. And now having cleared some air I think you can see -- And, Terri, you need to tell me, have you gotten sufficient input from this discussion to do what we need to do before the 26th to get a place held?

MS. PARKER: We are ready to go. Again, the situation was we would have done that. If this meeting had not happened today we would have been doing that anyway. The only reasonwhy we are talking about it today is because this Board only meets every other month. It is a planning --

CHAIRMAN WALLACE: Sometimes.

MS. PARKER: Yes. It was a planning meeting and I felt that I needed to let you know that this is an issue, given you are *my* Board and we operate under the theory of no surprises. I think you know me well enough that I was not stopping today. We have continued to have staff do the kind of work that the Agency needs to see to understand this particular issue.

Ken was in over the weekend doing the analysis that talked about making sure that the net amounts that we need reflect re-fundings. All of the data to essentially support. Consistent with what we understand is the Business Plan as amended so far with the changes that we have made, the 236 deals, the wholesale deals, that sort of thing. Not necessarily anything wild and crazy, that's for yet discussion for our future planning process.

MR. HARRIS: Great.

CHAIRMAN WALLACE: I think we are on the right track. I appreciate everybody's input and concern, including you, Mark.

MR. HARRIS: Thank you.

CHAIRMAN WALLACE: It's good to have you here.

MR. HARRIS: Great.

CHAIRMAN WALLACE: But expect to see something that you will be very favorably impressed with soon.

MR. HARRIS: Great, thank you.

CHAIRMAN WALLACE: Now, for the rest of us. I know Mark has to catch a plane. It's 12:16. I want to take up two housekeeping items that involve you, Bob, that were carried over because of abstentions and having the bare minimum quorum. So Item 2, Bob, is approval of the minutes. You want to refer to your notes?

(Mr. Harris exited the meeting room.)

MR. KLEIN: I would vote to approve the minutes.

CHAIRMAN WALLACE: Okay. The secretary just rolled out so I will inform her that you voted aye in favor of approval of the minutes. The second one, Bob, if you will look at Item 9. We had one abstention also on the discussion of the loan servicing volume, which Jerry Smart presented to us, and we are one vote short. I think you understand it but if you have questions I will ask Jerry to come back up. Why don't you give him a 30 second -- Jerry, give Bob a 30 second down and dirty of what you are proposing and why.

MR. SMART: Sure, Mr. Chairman. Back in 1991 we proposed a resolution to restrict the loan servicing cap on our lenders. That was at the behest of our rating agencies. Since that time they have indicated that those concerns are no longer applicable in today's market. We have seen a major consolidation of servicing amongst the major lenders/servicers and through an economy of scale we see in the future that this will continue. We were proposing, based on that and based on the no longer concern by the rating agencies that we remove applicable restriction from that resolution that was passed in 1991.

CHAIRMAN WALLACE: Bob, in a nutshell, there is a restriction that you may have reviewed that in the original 1991 agreement on servicing put a cap of 15 percent on any one servicer having any more than that. The market has changed so dramatically with mergers and consolidations and squeezing of fees in that arena that it is just not consistent with the times. On page 946 you have a list of our current 19 servicers. One of them is already over that cap. It is unrealistic and the staff has recommended that we remove that 15 percent cap language from the **1991** agreement to allow for realities of the marketplace today.

The Board discussion involved, yes, okay. And the motion was to approve, but being sensitive that just because you are small -- You have got to meet our criteria, which means essentially you meet **Fannie** or **Freddie's** criteria for loan servicing. But we are not trying to send a signal that we are going with one loan servicer. On the contrary, be sensitive to those who can meet the criteria and not send any signals that we are going to one. We would like multi still. That will be, maybe, a discussion one day but not today. Therefore, we encourage multiple servicers that otherwise meet the criteria, But in that context are going to remove totally any cap on what any one servicer could hold.

MR. KLEIN: If I could ask. I would assume that it would be a good business practice to keep some distribution. Because with the amount of mergers going on you could end up having one of your major servicers in the hands of a company that did not necessarily reflect philosophy or approach to resolving servicing problems.

CHAIRMAN WALLACE: That was absolutely the sense, in part, of why we were saying, remove the cap but be sensitive to keeping multiple that are otherwise qualified.

MR. SMART: That is true, Mr. Klein.

MR. KLEIN: Secondly, as I understood the memoranda in the file, the majority, 85 percent of our portfolio is FHA or VA-insured at this point.

MR. SMART: That is correct.

MR. KLEIN: So I would assume that if at some point the percentage of insured portfolio dropped you might want to have a smallerpercentage share exposure to any one servicer. At this time that issue is pretty well mitigated.

MR. SMART: That is correct.

MR. KLEIN: So this will be monitored over time.

MR. SMART: Yes. We do have a very aggressive monitoring system in place.

MR. KLEIN: Mr. Chairman, I can support this motion and vote in favor of the motion.

CHAIRMAN WALLACE: Fine. Mr. Klein votes in favor of Item 9, Resolution 01-07. So I am going to say that that resolution is hereby approved.

MS. OJIMA: Approved.

CHAIRMAN WALLACE: And secondly, when you were out of the room, JoJo, Mr. Klein voted in favor of Item 2, the approval of the minutes.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: So that cleans up those items.

OTHER BOARD MATTER/REPORTS

We are now to Item 10. Any other items from Board

Members that were not agendized that any Board Member wants to bring forth? Do so at this time. We have done enough already? Hearing and seeing none, no action on Item 10.

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Item 11. Anyone in the audience frommembers of the public who wish to discuss items that were not otherwise on the agenda? Hearing and seeing none we will move on to --

PRESENTATION

Let's talk, Terri, a minute. There is no lunch. We think Peter **Block's** presentation is going to be -- There is no free lunch today.

MS. BORNSTEIN: Is there a free lunch any day?

MS. PETERSON: Is there ever?

CHAIRMAN WALLACE: Now, Julie, you were here in December and you **saw** --

PARKER: I don't think the intention was that the presentation today would be anywhere near the extent and depth of *Mr.* Shapiro's.

CHAIRMAN WALLACE: Right.

PARKER: I think you have in your binder the templates that Mr. Block is intending to walk you through. Again, as usual, the amount of time is reallymore along the lines of the depth and questions that the Board Members have.

CHAIRMAN WALLACE: Right. So as part of our workshop let me ask and welcome Ken Carlson and Peter Block from Standard & Poor's who have a presentation to make to the Board. Welcome.

MR. BLOCK: Thank you.

MR. CARLSON: Thank you, Mr. Chairman. Mr. Block has been assigned the lead responsibility for providing ratings to -- to do the analysis for the ratings ultimately given by Standard & Poor's to CHFA's debt. I think for the last year now you have been the lead analyst after Pam Berkowitz moved on to do other work at S&P. We are delighted to have Mr. Block be our lead analyst; he backed up Pam for several years and is extremely knowledgeable about our debt. He has been in the forefront of S&P's having to get more involved and to take expertise from other parts of S&P to devote to the housing area now that not only CHFA but other state housing agencies are selling more and more variable rate debt. So that's partly what this is about.

I would like to give just a brief status report of where we are on the whole subject of debt and I will just run through my slides really quickly. This is a summary of what we did last year, $1.95 billion of debt, three-quarters of it single family. Next slide. What is interesting here is how much more taxable debt we are doing, largely to finance the single familyprogram but also the 236 acquisition was taxable. So almost half of our debt was taxable last year.

Then this slide here I think is very interesting because it shows the different types of debt. Notice that the large purple part, the lavender part to the left, that is all the variable rate demand obligations. Continuing around counterclockwise, the 204 there, that's $204 million of other variable rate debt, the index floaters that the Federal Home Loan Bank has been buying. Then the $48 million are just the vanilla fixed rate bonds that we sold. The $163 million are the zero coupon or capital appreciation bonds that we sold for the single family program. Then the $176 million are the notes that we sell. The $269 million was the actual amount of the FaMie Mae acquisition.

So we ended up being ranked as tenth among all types of issuers in the nation for volume. The rankings are not based on private placements or notes so the FaMie Mae acquisition and the notes didn't even count in that ranking. We'll move on here. You have seen these tables before; we updated them. This is updated through the end of January. It includes the transaction that we arranged yesterday, which is on a separate report. Now our total amount of variable rate debt is 1.936 billion and that is about 27 percent, I think, of our entire debt. You can see the different categories of it. Almost $1.4 billion now has been swapped.

(Chairman Wallace exited the meeting room.)

The next slide shows this portion that we have been talking about, the net variable rate debt. Which amount right now has been falling because of principal retirements. This is the debt that we have not hedged in the derivatives market. If rates do fall and continue to fall and we have the kind of economic setbacks that we generally have in a recession in the bond rate environment, hopefully the pickup that we will get from this debt costing us less will offset those kinds of effects.

This is just a snapshot here of our interest rate swaps showing the almost $1.4 billion. As you can see, $1.2 billion is for the single family program and most of that is taxable. That's it. I think we can -- Linn here is our technical expert with the Power Point. We'll pick up Peter's slides. If there are any questions about where we are in respect to the status report I have just given I would be glad to answer them now.

MR. KLEIN: Ken, if I could -- If I could have Carrie's permission to ask a question here. I think I'll go ahead. (Laughter). The allusion you made. You concluded a transaction yesterday?

MR. CARLSON: Yes.

MR. KLEIN: And what were the outcome in terms of rates?

MR. CARLSON: I did give you a report there but what is interesting about it is that the rates on both the major swap for the variable rate taxable bonds and the fixed rate locked in on the capital appreciation bonds are about 60 basis points less than where we were in November. So we have seen that much. Unfortunately, yesterday was not as great of a day as the previous earlier in the week so we didn't get as low a rate on our swaps as we thought we would.

(Chairman Wallace re-entered the meeting room.)

But these rates are tremendously lower than anything we saw all through the year 2000 so we are really pleased about that. I can say this to people: So what, you are saving 60 basis points on this transaction, but if we have to lower our mortgage rate by 75 basis points to keep getting the amount of business that we want, we are swimming against the tide. So it is always hard for us to chase mortgage rates.

MR. KLEIN: And what were the swap maturities?

MR. CARLSON: Let me answer that in terms of average life. The big swap there for the taxable bonds has an average life of 8.4 years.

MR. KLEIN: The capital appreciation bond, what was its life?

MR. CARLSON: Those bonds have -- We don't tell investors what the life of those bonds are likely to be. That's where all the volatility in the program is focused, in effect, in the later years on those bonds. And on the serial, the serial term bonds too. But the life of those could be -- If interest rates pick up it is possible that those bonds could be outstanding for 30 years.

MR. KLEIN: Right.

MR. CARLSON: If interest rates fall and people prepay, those are going to be wiped out in ten years probably.

MR. KLEIN: But there is not an averaged assumption the market works with --

MR. CARLSON: No.

MR. KLEIN: -- that it's 12 years or it's 15?

MR. CARLSON: No, no, no. People are buying those entirely on spec. That, of course, limits who will buy them and that's why we have to offer a premium of anywhere from 30 to 40 basis points over a current couponbond to get people to buy them. But as we have talked about before, the advantage of selling these kinds of bonds is that it enables us to shorten the life of our taxable bonds. We did pick up two new investors for those, which I am really pleased about.

If there are no other questions should we move on with Peter?

CHAIRMAN WALLACE: Peter.

MR. BLOCK: First of all, I would like to thank the Board and the staff for allowing me to talk to you about this. The presentation I am going to make is modeled after an article that I wrote. I do not think it is in the Board presentation but I will make sure that everybody gets a copy of it, I have a copy of it here. It is an article that I wrote in September of last year talking about interest rate risk and what we call capital adequacy for state housing finance agencies.

Basically, it serves as a model that housing agencies can use to try and manage their interest rate risk when they issue variable rate bonds and possibly seek to hedge the interest rate risk with swap contracts.

(Mr. Dirks exited the meeting room.)

Also, I would just like to let everybody know that this is an opportunity for ***you*** to ask any and all questions, not only about this, but just about any other aspect of ratings that you may have.

First of all, we developed a new rating criteria over the course of last year. Basically, it was designed not only for us to allow us to rate variable rate bonds for state housing finance agencies, but also to allow the state housing agencies to quantify the risk on these bonds. Because that was the number one concern that not only we had, but also the staffs and the boards of directors of the various housing agencies around the country. What is our risk in the worst case, or even a base case, if we were to issue variable rate debt as opposed to what we have been doing for the last some odd years issuing fixed rate bonds?

We came up with the criteria. It was a combination of working with our structured finance department and our research department to try and get a handle on what housing agencies were issuing relative to the other types of products on the market. We also used that in conjunction with what we are calling our capital adequacy model, which is also known to you as our top-tier model. CHFA has been top-tier at least since the mid-eighties and has been using what we call the top-tier capital adequacy calculation as part of the Business Plan now.

Basically, the calculation, very simply, is just the amount of unrestricted assets as a percentage of its total debt outstanding. We make assumptions and we make adjustments to the amount of unrestricted assets that an agency would have relative to its debt outstanding. We use it as a general indicator of its ability to support its debt and its general obligations.

The last bullet point there is that we are monitoring these reserves through our capital adequacy model that we are generating through the cash flow scenarios. As everyone here is aware, CHFA has consolidated cash flows prepared for them by Merrill Lynch on an annual basis and those are the basis by which we are calculating the reserves. Monitoring that, and the staff is also using that.

There's a couple of questions that staff and you as a Board should always be asking. First of all, if you decide to issue variable rate bonds, you have to decide whether or not you are going to hedge the variable rate interest rate exposure. Then if you do decide to hedge the variable interest rate exposure you have to decide what is the remoteness of the termination of the contract. There is a lot of glossing over of the termination provisions of swap contracts because they are very technical and a lot of people would consider them remote. There are various termination events that could occur that in various scenarios may or may not be removed.

For example, if Standard & Poor's downgrades one of the counterparties to a certain level that exceeds a threshold, the Agency could be suddenly left without a hedge for its debt. So you have to decide whether or not you believe that event and other events that are possible are remote. Yes.

MR. KLEIN: The Agency would be left without a counterparty or left without a counterparty with the requisite rating?

MR. BLOCK: In certain instances it will be left without a counterparty, period. In certain instances it would be left with a counterpartywithout a very high rating. It depends on the threshold.

MR. KLEIN: Because in certain downgrading situations there's a requirement of that hedge or swap provider to liquidate? Is that why?

MR. BLOCK: Yes. Actually, in the swap that you just did with Solomon Smith Barney Holdings there was a downgrade threshold of BBB- for the entity, for Solomon Smith Barney Holdings, which is guaranteeing the swap. Currently Solomon Smith Barney Holdings is rated single A by Standard & Poor's, so that means if we downgrade them in the next 30 years to BB+, or withdraw their rating entirely, CHFA is allowed to get out of that swap at no cost. However, they would be left with an unhedged variable rate bond position and they would have to get a new hedge or maintain those variable rate bonds as variable rate bonds without a hedge

MR. KLEIN: And when that hedge or counterparty is liquidated under those downgrade provisions does CHFA end up getting any asset distribution to cover the make-whole risk?

MR. BLOCK: It depends 'onthe swap contract. In some cases, yes, in some cases, no. It all depends on the deal that is negotiated. But again, that is one of the questions that you need to ask when you are looking at the swap contract because ***there's*** trade-offs. If you are going to get a better deal on the downside you may not get as good a rate up front, and conversely. It's a trade-off.

You also have to ask questions as to whether or not a hedge makes sense, if you decide to go with variable rate debt at all. As Ken has noted, CHFA has about **$490** million of unhedged variable rate bonds that serve as sort of an internal.hedge against rising and falling interest rates. Additionally, they have variable rate debt that is backed by variable rate assets or loans so hopefully those two rates would move in tandem. We can consider that debt an internal hedge as opposed to an external hedge. So that is an important distinction.

I am going to take you through a couple of scenarios. The last scenario, Scenario **4**, is the more likely scenario in a good interest rate and a good economic environment. But the first scenario, basically, is where you decide to go with unhedged variable rate demand obligations.

In order to calculate what the exposure for the Agency is going to be, we basically have an interest rate model that forecasts interest rates for the next **30** years depending upon **a** starting rate. It is a statistical model with various conference intervals. We would ask that the clash flows for the bond transaction be run with these interest rates. We would just quantify the risk and we would **nsk** that Merrill Lynch factors that into the consolidated cash flows so we are able to quantify the risk. That is without a hedge. So that is just plain and simple, what is the worst case at a AA- scenario, which is far worse than reality. What is the exposure?

Moving on to Scenario 2. This is in the case where you have decided to go with a swap and you have hedged your VRDOs. Because of various structural features of the bond transaction and/or the swap we as a rating agency have decided that we are going to assume that the counterparty will default or go away. One of the primary things here that you should notice is the rating. There are various ratings of counterparties ranging from AAA all the way down to single A, which is, as I mentioned, was a swap that you just participated in during this last transaction.

CHFA also has swap counterparties that we rate The T subscript indicates that it is a terminating derivative product company or DPC. What that means is that the entity that has structured this company has structured it to achieve a AAA rating by collateralizing the obligations of that entity through our rating criteria. We establish collateral levels for the entity. Lehman Brothers Derivative Products company is a terminating DPC.

Lehman Brothers Derivative Products will collateralize on a daily or weekly basis in accordance to our criteria in order so that we can maintain the AAA rating. What the T signifies is that in their organizational documents they have indicated that at any time they could just stop doing business, stop writing business and just transfer their swap business to someone else if they are willing to take it. What this means for the issuer, the HFAs, is that potentially they could be left with an unhedged variable rate bond position without any action on or our part, meaning the rating agency. They can just decide as a company to cease operations.

(Tape 2 was changed to tape 3.)

This is in contrast to an entity that has standard long-term ratings such as triple-A, double-A or single-A that we have rated as a going concern, similar to CHFA's rating of AA-. In this case, we decide that they would continue to stay in business and -- In the event that we decide that the counterparty is going to default or to terminate, we would ask that the language in the swap documents provide for substitution of the counterparty upon either a rating of downgrade or a dissolution of the company. Most of CHFA's swaps, if not all of them if I'm correct, have an out for that event. Obviously, if substitution is not possible, if there are no outs, we would ask that an early termination payment or some sort of reserve is held aside to compensate for the unhedged variable rate position.

And this is just a continuation. This is in the event of default or a termination event is assumed under a termination scenario for hedged variable rate bonds. This is for another event of early termination and that is enumerated in the swap contract. *There's* numerous ones. For example, failure to pay, bankruptcy. Various things that we consider, generally speaking, to be very remote. In this case, we would also have to calculate an early termination payment and/or a cost of rehedging, based on whatever the issuer tells us that they would do at the time.

But again, these things are monitored over time. I would not say you should be alarmed at any of these things because Ken, with the assistance of Peter Shapiro of Swap Financial Group, does an excellent job of making sure that early termination aspects of the swap contracts are remote.

MR. CARLSON: If you recall from the previous workshop, we talked about how most terminations we would settle up at a price that would give us the -- where we could go back in and replace the swap with a different party. Those settlements have been negotiated to be somewhat lopsided so that we would generally settle at our side of the market and not have any loss going back in.

MR. BLOCK: Okay, moving on to Scenario 4. This is the more realistic scenario for **CHFA** and this is the one that I believe that every agency that has variable rate debt and swaps is going to have to deal with at one point or another. I would not be surprised if you are sitting here talking about this, if not in a year, in several years. And even stepping aside from rating agency stress scenarios, this is what I am calling basis risk in tax event. This is something that is completely out of the control of anyone in this room.

Believe it or not, you as a Board Member or a staff member of CHFA are going to be against a lowering of the top federal tax rate, despite what you may believe personally. Right now the top rate is ***39.6*** percent. If they decide, if Congress decides to lower the top federal tax rate, this may change the trading relationship of tax exempt bonds to taxable bonds, which trade based on the LIBOR index, generally, in the United States.

Because CHFA is taking what I call ***tax risk***, and what is generally referred to as ***tax risk*** under the swaps, the amount that the swap counterparties are paying to CHFA in exchange for a fixed payment may not be sufficient to pay off the actual rate on the variable rate bonds if the federal tax rate is changed. Because investors will demand a higher interest rate, essentially. Because the bonds are repriced weekly or monthly or daily or semi-annually -- whatever mode that they are in. If CHFA is receiving **64** percent of LIBOR, which I think is what your present --

MR. CARLSON: Non-AMT.

MR. BLOCK: Non-AMT, yes. The relationship right now is about **64** percent of LIBOR, maybe a little bit lower,, 63 percent of LIBOR. CHFA is actually making money on these swap contracts. But in the event that a federal tax change results in a lowering from 39.6 percent, let's say to 20 percent, the relationship of BMA, which is the tax-exempt index that tax-exempt variable rate bonds trade on, to LIBOR, could be 82 percent, roughly. If that is the case, CHFA is going to lose the difference between 64 percent of LIBOR and whatever the relationship is at that time. Yes.

MR. KLEIN: Since we're dealing with housing bonds here, we have alternate minimum tax exposure on these bonds. How do you evaluate the importance of the alternative minimum tax rate being changed versus the maximum tax rate? Are we more influenced by the alternative minimum tax on these housing bonds or the maximum tax, assuming it is a small change?

MR. BLOCK: Well, again it depends. As you know, CHFA sells AMT and non-AMT bonds. For purposes of sizing the risk we just lump all AMT and non-AMT together. We realize there is going to be a difference depending upon what actually will happen, whether they decide to change the AMT versus just the top rate. We don't know and there is no way we can project that. So just to get a rough estimate of generally speakingwhat would be the exposure, we do simulations where we assume that the top rate goes down. We don't deal with the AMT rate.

MR, KLEIN: What is the conclusion if the top rate were to drop to 25 percent? What is the conclusion as to the impact on our basis risk in this situation?

MR, BLOCK: Well, I want to deal with basis risk and the next topic, which is going to be prepayment or amortization risk, together. But the short answer to your question is, basis risk and prepayment risk together, based on the cash flows that were run for us by Merrill Lynch -- Now this does not include any of the variable rate issuances, probably since last June so it is not including about a year's worth of issuance here. For the next five years -- We try to break it up into five year increments because looking at the entire risk, which we have calculated to be in excess of $200 million, I would say is probably about $30 million to $35 million for the next five years.

MR. KLEIN: Per year?

MR. BLOCK: No, that is over the next five years.

MR. CARLSON: One way to think about it, Mr. Klein, is if LIBOR today is, let's say, 5.50, that we are looking at about -- If we went down to the kind of tax rates you were just talking about it is going to mean, like, 100 basis points difference in the rate on our debt in today's interest rate market. We have about $800 million of tax-exempt floaters outstanding, both hedged and unhedged, where we would bear that risk. What is that? $8 million a year is the extra amount of payments we would have to make.

MR. KLEIN: And what was the reference to $200 million exposure? What was that?

MR. BLOCK: That is the total. The total exposure if you assume no further issuance of debt. If we could go back one slide. If you look at the second bullet point, our assumption is that the top rate is decreased to 25 percent then goes down to 20 percent. If you assume that scenario and you also assume a very slow level or a low level of repayments and no further issuance of debt. If you compare that scenario to CHFA's base case scenario, which is roughly 100 percent PSA prepayments and no tax risk, the difference is roughly $200 million between what they would have earned and what the "economic loss" would be.

MR. KLEIN: So the $200 million includes what they would have earned.

MR. BLOCK: Yes.

MR. KLEIN: Versus just analyzing the absolute loss.

MR. BLOCK: Yes.

MR. KLEIN: How much of it is absolute loss and how rruch of it is what would have been earned?

MR. BLOCK: I wouldn't say that if you looked at an income statement or a balance sheet 30 years from now, if our oorst case scenario bore out, that CHFA would actually have negative equity of $200 million. They would just be forgoing an additional $200 million. *That's* the way to look at *it.*

KLEIN: Just forgoing $200 million of revenue?

BLOCK: Roughly, yes. This also includes the present value of the administrative fee that CHFA takes out of the programs. So the bottom line is that it is significant but we feel that CHFA's management has a handle on the situation and is monitoring the situation. And that is really the key here. Because we don't expect to be sitting here in five years asking, why didn't anybody notice this. Obviously, we are going to know if there is a tax change. Ken's staff does an excellent job of monitoring prepayments. Which is a good segue into the next slide.

Monitoring prepayments is also a very key aspect here because when we talk about the average life for swaps and for bonds we assume a certain level of prepayments. We don't assume zero prepayments. We assume, generally, 75 to 100 percent PSA prepayments, it's a prepayment scale. The swaps are generally structured to pay off or go away, as you all know, based on a prepayment schedule. A declining notional amount, that's what we call it. You start with, let's say it's a $100 million swap. Over time it just pays down. The amount of the swap pays down as if it were a bond.

The risk to CHFA is that the swap is going to pay down quicker than the mortgages will prepay and therefore the bonds will prepay and **CHFA** will be left with an unhedged variable rate bond position. Which on the face of it, they could end up with some interest rate exposure, although there are many things available to an agency to rehedge or hedge those bonds that become **"unhedged"** as a result of the low prepayments.

But again, this is something that is monitored and you will obviously know what is happening in your loan portfolio with prepayments. It is not going to be something that we see in a cash flow that shows low prepayments where there is just money flying out the door. We don't believe that that's going to happen simply because of the monitoring aspect. Like I said, we do have to quantify it and we do have to show that under a worst case scenario, which is basically to a AA- rating scenario, that this could happen.

And if it does happen, **CHFA** is still covered and we can still maintain the ratings. So that is in the worst case. You are still going to have your rating and it is still going to be fine. We never want to say, in 20 years we could potentially downgrade this because something else goes wrong that we didn't assume. But I can say at this point in time that given what we know now and given the assumptions that we have, slowprepayments and tax event risk, while it **will** impact **CHFA**, if properly monitored it should really have no impact.

And basically, Scenario 4 is the amortization risk. It talks about some of our criteria with what we assume. We have changed -- For state housing financing agencies such as CHFA with a very large loan pool we have changed our prepayment assumptions for the worst case run from a zero percent prepayment to a 30 percent PSA prepayment. This is obviously going to change the dynamics of what the exposure is going to be and it is also going to change the dynamics of how we view the resolution, whereas in the past it was a lot more onerous.

I guess the bottom line is that CHFA is hedged for its variable rate bond exposure. We monitor it, the Agency monitors it, and I think they do a very good job of monitoring it. The other thing I should just mention is that unlike some other housing agencies in the country CHFA is very well diversified with its swap counterparties. It's got currently four swap counterparties and that's also something that should also be noted. If anybody has any questions I am here in this forum and then I'll stick around after the meeting.

(Ms. Hawkins exited the meeting room.)

CHAIRMAN WALLACE: Sounds good, Peter, thank you. Any other questions other than lunch is on your own. Okay, thanks, Peter and Ken. I think that's helpful in our thinking and looking ahead. So with that if there -- I think we have exhausted our agenda and if I don't see any objection we are -- There's an objection. Bob. No objection.

MR. KLEIN: No. I would just like to say that, Peter, it is very helpful to have your personal input here and your education for us all.

MR. BLOCK: Thank you. Thank you, I appreciate it.

CHAIRMAN WALLACE: You get a do pass.

MR. BLOCK: Thanks.

CHAIRMAN WALLACE: Thank you. Okay, we are adjourned.

(The meeting was adjourned at 12:58 p.m.)

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CERTIFICATION AND

OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed (3) three tapes in number and this covers a total of pages 1 through 135, and which recording was duly recorded at Millbrae, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 11th day of January, 2001, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 30th day of January, 2001, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Torrey Del Mar Apartments
CHFA Ln. # 01-001-S

SUMMARY:

This is a Final Commitment request for a construction loan funding to Wells Fargo Bank, under the California Housing Finance Agency ("CHFA" or "Agency") Loan to Lender Program, in the amount of **$9,905,000** for two years at 4.20%. M e r two years the loan will be paid down and **CHFA** will finance **a** permanent loan in the amount of $3,970,000 for thirty years at 5.70% and **a** Bridge loan in the amount of $4,245,000 at 5.70% for three years. The **4.20%** Loan to Lender interest rate is subject to change prior to issuance of bonds. The project is Torrey Del Mar Apartments, a proposed 1 12-unit family apartment project located at 13875 Carmel Valley Road, **San** Diego, in San Diego County.

LOAN TERMS:

Loan to Lender:	**$9,905,000**
Interest Rate:	4.20%
Term:	Two Years
Financing:	Tax-Exempt
First Mortgage:	
Interest Rate:	5.70%
Term:	Thirty Years Fixed, Fully Amortizing
Financing:	Tax-Exempt

Bridge

Interest Rate:	5.70%
Term:	Three Years
Financing:	Tax-Exempt

LOCALITY INVOLVEMENT:

The Housing Authority of the City of San Diego is contributing in HOME funds at 3.0% interest for **55** years. Other non-iocality financing has also been obtained: Cal-Fed is providmg an AHP loan of $499,000 that will be forgiven by the financial institution. Housing and Community Development is providmg a $4,272,300 loan under the Multifdy Housing Program ("MHP") at 3.0% for 55 **years.** All loans are subordmate to the Agency's 1st mortgage and payments **are** fi-om the project's residual receipts.

The master developer of the Torrey Highlands residential subdwision (whch the subject is part of), DR Horton, San Diego Holdmg Company, Inc., ("DR Horton") chose to meet its inclusionary requirement by constructing 112 affordable multifdy units. The master developer and the City entered into an Affordable Housing Agreement in whch the master developer agreed that these 112 affordable multifdy units will be constructed as part of Torrey Highlands residential development, and that the master developer would contract with an affordable housing developer to develop the units. Under the current financing structure, DR Horton agreed to donate the land worth $2,800,000 and forgive a pre-development loan in the amount of $300,000 in lieu of providmg any "gap financing".

MARKET:

A. Market Overview:

San Diego County lies in the southeastern comer of the United States *on* the U.S.-Mexico border. The metropolitan area extends over 4,255 square miles fi-om the military installation of USMC Camp Pendleton south to the Mexican border, and from the Pacific **Ocean** east to Imperial County.

The county contains three distinct zones: a ten-de wide coastal zone whch covers a seventy-mile long coastal range, the central zone comprised of foothills and the Cleveland National Forest mountain range, and the eastern portion which contains the low-lying Colorado Rzver Valley desert region.

B. Market Demand

Real estate market conhtions and the unavailability of conventional financing have gven the private residential development sector very little financial incentive to develop multi-family dwelling units, least of all affordable units. In addition, very low-income households and many low-income households cannot afford to pay the existing market rate rents, and their income levels are inadequate in helping to cover the private sector costs for the development of housing.

The City of Sari-Diego, Fiscal Year 2000 Consolidated Annual Plan defines a need for an additional 17,500 new housing units for low-income households. The San Diego Association of Governments ("SANDAG") estimates that 107,000 very–low and low-income households in the City of San Diego pay 30% or more of their income for rent. Of' 43 metropolitan areas surveyed in the United States by HUD to assess "worst case needs", San Diego ranks thud among the least affordable. The urban areas of San Diego ranked as the least affordable area in the United States.

C. Housing Supply

The San Diego area is experiencing major population growth and the increase in affordable housing has not occurred at the same pace. New rental housing under construction is generally luxury apartments. The primary market area for the project in the City of San Diego is the Rancho Penaquitos community and the 1-15 corridor. The closest comparable apartment complex is 2 miles away.

Six market rate comparable apartment projects are located within 5 miles of the project. Of' the 1,066 total rental units, the largest number of units, 670, are two-bedroom units; 230 units are one-bedroom units and 166 units are three-bedroom units. This breakdown is similar to the unit mix proposed for this project. The size of unit types at the project is generally smaller than those in market rate projects and the amenity package at the market rate projects exceeds those proposed at this project.

Amenities at other market rate projects not available at this project generally include a fitness center, a spa, ceiling fans and washer/dryer hook-ups. Two of the six projects have one bath in the two-bedroom units llke the subject project, the remaining four projects have two bathrooms. Average market rents for one-, two and three-bedroom units are $1,167, $1,442 and $1,947 respectively. To be competitive with these market rate projects, gven the smaller size of the units and the fewer amenities, the rents at this project would have to be $975, $1,200 and $1,500 respectively.

Vacancy rates at market rate projects in the primary market area are estimated at 3%, with a high of 4.41% at Archstone Toney Hills Apartments, a brand new complex that is approachmg stabilized occupancy. Five of the six market rate projects are owned by REIT's, who llke to maintain vacancy rates close to 5% and who incrementally raise rents until that 5% vacancy level is achieved.

PROJECT FEASIBILITY

Rent Level	Subiect Proiect	Mkt.Rate Avg.	Difference	% of Market
One Bedroom		$975		
30%	$274		$701	28%
45%	$414		$561	42%
60%	$565		$410	58%
Two Bedroom		$1.200		
30%	$323		$877	27%
45%	$491		$709	41%
Three Bedroom		$1,500		
30%	$362		$1,138	24%
45%	$557		$943	37%
60%	$767		$733	51%

PROJECT DESCRIPTION:

A. Site Design:

The Torrey Del Mar Apartments is a proposed **112** unit affordable family project to be constructed *on* a 5.5-acre parcel that is zoned **R-1500.** The allowable density is **29** units per acre. The main entrance leads to the community/leasing bddmg. **All** seven residential bddmgs surround the community bddmg and the layout of the project promotes a sense of community. Parking and traffic circulation are located on the perimeter of the project, not impacting the open space. There are a total of **228** parhg spaces.

The unit *mix* is as follows: **16** one-bedroom, one-bath units of approximately **624 sq.** feet; **56** two-bedroom, one-bath units of **892 sq.** feet and; 40 three-bedroom, two-bath units of **1,045** *sq.* feet. **All** bddmgs will have pitched composition shingle roofs and an exterior with a combination of hardi plank /stucco sidmg. The community area includes a pool, a tot-lot, common laundry facilities, a BBQ **area** and the community bddmg. The community bddmg includes a management/leasing office, a large community room with lutchen facilities, a tutoring room, laundry facilities and restrooms,

The site fronts on Carmel Valley **Road** and faces Fairbanks Hzghlands, a golf course and residential community of single family homes. **A** six-foot retaining wall will enclose the project. Directly adjacent to the site is a 2-acre retail/commercial center that includes a

Chevron station and several retail shops. The project is in the Poway Unified School District. The middle school is ½ mile fiom the project, two elementary schools are approximately ¾ mile fi-om the project and the future high school is ¼ mile fiom the project. The nearest existing high school is approximately3 miles fiom the project.

B. Project Location:

The site is located on Cannel Valley Road, north of Hzghway **56** and approximately **4** miles east of Interstate **5.** The project is part of the Planned Residential Development, The project is in the area considered the Torrey Hzghlands Sub-area IV. Plans for this area include **2,600** total housing units, a local mixed-use center, a regional employment center, two five-acre parks, schools, hiking trails and a major region wildhfe corridor. The wildhfe comdor includes 9 miles of designatedareas for hiking/horse trails.

The site is a functional lot in terms of size, shape, topography and zoning. It has good access and will have **good** proximity to local services, once they are constructed. All surrounding uses are either similar or complementary.

OCCUPANCY RESTRICTIONS:

MHP:	35% of the units (39) will be restricted to 30% or less of SMI
	12% of the units (13) will be restricted to **45%** or less of AMI.
	54% of the units *(60)* will be restricted to 60% or less of AMI
TCAC:	**100%** of the units (1 **12)** will be restricted to 60% or less of AMI.
CHFA:	**20%** of the units (23) will be restricted to ***50%*** or less of AMI.

)NMEN AI

The Agency received a Phase I – Environmental Assessment Report prepared by **LAW** Engineering and Environmental Consultants **(LAW)** dated **February 13,** 1997 for the entire Torrey Del **Mar** subdwision. **A** specific Phase I for the subject property is currently being completed by **LAW** and will be forwarded to the Agency upon completion.

Dudek & Associates, Inc. completed an exterior noise study on January **28, 2000** and an interior noise assessment report on April 6, 2000. To mitigate exterior noise, a *six* foot high wall is needed around areas adjacent to Cannel Valley Road. Interior noise will be mitigated for **those** units facing Carmel Valley road by incorporating mechanical ventdation and sound rated windows into the unit construction.

ARTICLE 34:

A satisfactory opinion letter dated November 15, 2000 by the San Diego Housing Commission states Article 34 does not apply.

DEVELOPMENTTEAM:

A. Borrower's profile

The owner is Valley Housing Associates, L.P. with BRIDGE Housing Corporation-SouthernCaliforniaas general partner.

BRIDGE Housing Corporation was established in 1982 and developed, constructed and managed 503 units of multifdy housing in the year 2000.

B. Contractor

Wenners Multi-Family Corporation is the parent company for the contractor, Wermers General Contractors ("Wermers"). The Wermer family has been in business in the San Diego area for over 43 years, Wermers has been in business for three years. The Wermers Family Multi-Family Division has completed construction of 13 multi-fdy projects in the last 8 years, and has 8 multifamily projects under construction.

C. Architect

Starck Architecture and Planning specializes in multi-fdy residential design and development since 1996. They have designed twelve multifdy projects in the Southern California area. One of the projects has been completed, the other twelve projects are in various stages of construction.

D. Management Agent

BRIDGE Property Management Company ("BPMC") will provide property management services for the project. BPMC was formed in 1988 as a financially independent, but affiliated, non-profit company to assure that BRIDGE developments in whch BRIDGE has served as developer will be maintained.

Project Summary

Loan To Lender

848 Date: 20-Feb-01

Project Profile:

Project:	Torrey Del **Mar Apts.**	*Appraiser:*	Randy **Elston, MAI**
Location:	**13875 Carmel** Valky Rd.		Pacific Real Estate *Appraisal*
	San Diego	***Cap Rare:***	**7.50%**
County/Zip:	**San** Diego 92129	***Market:***	**$ 14,300,000**
Borrower:	Cannel Valky Housing Assoc., L.	*Income:*	**$ 14,350,000**
GP:	**BRIDGE Housing Corp.**	*Final Value:*	**$ 14,325,000**
LP:	TBD		
		LTC/LTV:	
Program:	Tax Exempt	***Loan/Cost***	21.3%
CHFA #:	**01-001-S**	***Loan/Const.***	69.1%
		Loan/Perm	**57.3%**

Project Description:

Units	112
***Handicap** Units*	3
Bldge Type	New Construction
Buildings	*8*
stories	2
Gross Sq Ft	102,736
Land Sq Ft	239.580
Units/Acre	20
Total Parking	*228*
Covered Parking	*0*

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$3,970,000	$35,446	5.70%	30
DR Horton	$300,000	$2,679	*0.00%*	
Land **Equity**	$2,800,000	$25,000	**0.00%**	
MHP	54,272,300	$38,146	3.00%	55
San Diego Housing	$910,000	$8,125	3.00%	55
AHP	$499,000	$4,455	0.00%	30
Tax Credit Equity	$5.61 8,437	$50,165		
Deferred Developer Fee	$3 12.236	$2,788		
CHFA Loan to Lender	$[illegible]	$88,438	4.20%	2
CHFA Bridge	$[illegible]	[illegible]	5.70%	3

Unit Mix:

Type	Size	Number	AMI/SMI	Rent	Max Income
1 BR	624	6	30%	$274	$12,885
2 BR	892	19	30%	$323	$14,505
3 BR	1045	14	30%	$362	$16,110
1 BR	624	8	60%	$565	$25,770
2 BR	892	30	60%	$672	$29,010
3 BR	1045	21	60%	$767	$32,220
1 BR	624	2	45%	$414	$19,328
2 BR	892	6	45%	$491	$21,758
3 BR	1045	4	45%	$557	$24,165
2 BR	892	1	Mgr.	$672	Mkt
3 BR	1045	1	Mgr.	$767	Mkt
		112			

Fees, Escrows and Reserves:

Escrows	Basiiof Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	**$99,050**	Cash
Finance Fee	**1.00%**	of Loan Amount	582,150	*cash*
Bond Origination **Guarantee**	1.00%	of Loan Amount	**$99,050**	Letter of Credit
Rent Up Account	15.00%	of Gross Income		of Credit
Operating Expense		of Gross Income	$74,368	Letter of Credit
Marketing	10.00%	*of* Gross Income		Letter *of* credit
Annual Replacement Reserve Deposit		Per Unit	$42,228	

Sources and Uses Torrey Del Mar Apts.

SOURCES:

Name of Lender/Source	Amount	$per unit
CHFA First Mortgage	3,970,000	35,446
AHP	499,000	4,455
MHP	4,272,300	38,146
DR Horton	300,000	2,675
Land Equity	2,800,000	25,000
San Diego Housing	910,000	8,125
Total Institutional Financing	12,751,300	113,851
Equity ***Financing***		
Tax Credits	5,618,437	50,165
Deferred Developer Equity	312,236	2,788
Total Equity Financing	5,930,673	52,952
TOTAL SOURCES	18,681,973	166,803

USES:

Acquisition		
Rehabilitation	0	a
New Construction		77,643
Architectual Fees	275,000	2,455
Survey and Engineering	100,000	893
Const. Loan Interest & Fees	1,102,111	9,840
Permanent Financing	684,568	6,112
Legal Fees	105,000	938
Reserves	260,287	2,324
Contract Costs	10,000	89
Construction Contingency	869,600	7,764
Local Fees	2,779,384	24.8 16
TCAC/Other Costs	300,024	2,679
PROJECTCOSTS	17,981,973	160,553
Developer Overhead/Profit	700,000	6,250
Consultant/Processing Agent	0	0
TOTALUSES	18,681,973	166,803

Annual Operating Budget Torrey Del Mar Apts.

		$ per unit
INCOME:		
Total Rental Income	732,924	6,544
Laundry	10,752	96
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	743,676	6,640
Less:		
vacancy Loss	37,184	332
Total Net Revenue	706,492	6,308
EXPENSES:		
Payroll	90,864	811
Administrative	70,964	634
Utilities	76,478	683
Operating and Maintenance	62,818	561
Insurance and Business Taxes	35,808	320
Taxes and Assessments	4,829	43
Reserve for Replacement Deposits	42,228	377
Subtotal Operating Expenses	383,988	3,428
Financial Expenses		
Mortgage Payments (1st loan)	276,503	2,469
Total Financial	276,503	2,469
Total Project Expenses	660,491	5,897

Cash Flow Torrey Del Mar Apts. CHFA # 01-001-S

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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	NIA	NIA	NIA	N/A	NIA	N/A	NIA	NIA	N/A
Market Rents	N/A	NIA	NIA	NIA	NIA	N/A	MIA	N/A	NIA	NIA
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	732.924	751,241	770,028	789.279	809,011	829.236	849,967	871.216	892.997	915.322
TOTAL RENTAL INCOME	**732,924**	**751,247**	**770,028**	**789,279**	**809,011**	**829,236**	**849,967**	871,216	**892,997**	91S.322
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	10.752			I	11,868	12.165				13.428
			NIA	NIA	NIA	NIA			NIA	NIA
TOTAL OTHER INCOME	**10,752**				**11,868**	12,165	12,469		13,100	13,428
GROSS INCOME	743,676		**781,325**	**800,858**	820,879		**862,436**		**906,097**	
Rate I				NIA				NIA		NIA
Vacancy Rate :Affordable	5 . m	5.00%	5.00%	5.00%	5 . m	5.00%	5 . m	5 . m	5.00%	5.00%
Less: vacancy **Loss**	37.184	38,113	39,066	40.043	41,044	42.070	43.122	44,200	45305	46,437
EFFECTIVE CROSSINCOME	**706,492**	724,155	742,258	**760,815**	779,835	799,331	819,314	839,797	860,792	8829312
OPERATING **EXPENSES**										
Annual Expense Increase	4.00%	4 . m	4 . m	4.00%	4.00%	4.00%	4 . m	4 . m	4.00%	4.00%
Expenses	341.760	355.430	369,648	384.434	399811	**415,803**	432.435	449,733	467.722	486.431
Replacement Reserve	42,228	42.228	42.228	42.228	42,228	44339	44339	44.339	44339	44339
Annual Tax Increase	2 . m	2.00%	2.00%	2 . m	2 . m	2 . m	2 . m	2 . m	2 . m	2 . m
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	383,988	**397,658**	411,876	**426,662**	442,039	**460,143**	**476,775**	494,072	512,062	**530,771**
NET OPERATWGWCOME	322,504	3264%	330,383	334,153	337,796	339,188	342539	345,725	348,731	351,541
DEBTSERWCE										
CHFA- **1st Mortgage**	276,503	276503	276.503	276.503	276.503	276.503	276,503	276,503	276.503	276503
CHFA- **Bridge Loan**	1,579,289	1,579,289	1,579,289	0	0					
MHP	17,944	17,944	17,944	17,944	17.944	17,944	17,944	17,944	17,944	17,944
CASH PLOW **after debt service**	**28,057**	**32,049**	35,936	39,707	**43,350**	44,742	**48,093**	**51,278**	**54,284**	**57,095**
DEBT COVERAGE	1.10	1.11	1.12	1.13			1.16	1.17	1.18	1.19

Cash Flow

RENTAL INCOME	Year	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year
Market	*NIA*		*NIA*	*NIA*	*NIA*		*NIA*		*NIA*	*NIA*
Market	NIA	NIA			NIA	NIA	NIA		NIA	NIA
Rent						***2.50%***				*2.50%*
Rents	938.205		985.701					1.115.231	1.143.111	
TOTAL RENTAL INCOME	**938,205**				1,035,602	1,061,493	1,088,030	1,115,231	1,143,111	1,171,689
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	13,763			14.822	15.192	15.572		16.360	16,769	17.189
	NIA	NIA	NIA	*NIA*	NIA	NIA		NIA	NIA	NIA
OTHER INCOME	13,763	14,108		14,822	15,192	15,572			16,769	17,189
CROSS INCOME		**975,767**	**1,000,162**		1,050,795	**1,077,065**		1,131391	1,159,881	
Vacancy Rare Market	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*			*NIA*		
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	47.598	48.788	50.008	51.258	52.540	53.853	**55.200**	56.580	57.994	**59.444**
EFFECTIVE GROSS INCOME	**904.370**	916.979	**950.153**	**973.907**	998.255	1.023.211	**1.048.792**	**1.075.011**	1.101.887	1.129.434
OPERATING EXPENSES										
Annual Increase		*4.*		*4 . m*	*4 . m*	*4.*	*4.*		*4 . m*	
		I24	547,169	569.056	591.8	615.491		665.7 I5	692.343	720,037
Replacement **Reserve**	46.556	46.556	46.556	46,556	46,556	48.884	48.884	48.884	48.884	48.884
Annual Tux Increase	*2 . m*	*2 . m*	***2.00%***	*2 . m*	*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	**552,445**	**572,680**	593,725	615,612	638,374	**664,375**	**688,994**	714599	741,227	768,921
NET OPERATING	351,925			358995	359,881					
DEBT SERVICE										
CHFA		276.503	276.503	276,503	276.503			276,503	276.503	276.503
CHFA **Loan**										
MHP	17,944		17.944		17,944	17,944	17.944		17,944	17,944
CASHPLOW **after service**		59,852	61,982	63,849	65,434	**64,390**			**66,213**	**66,066**
DEBT COVERAGE	1.20	1.20	1.21	1.22	1.22	1.22	1.22	1.22	1.22	1.22

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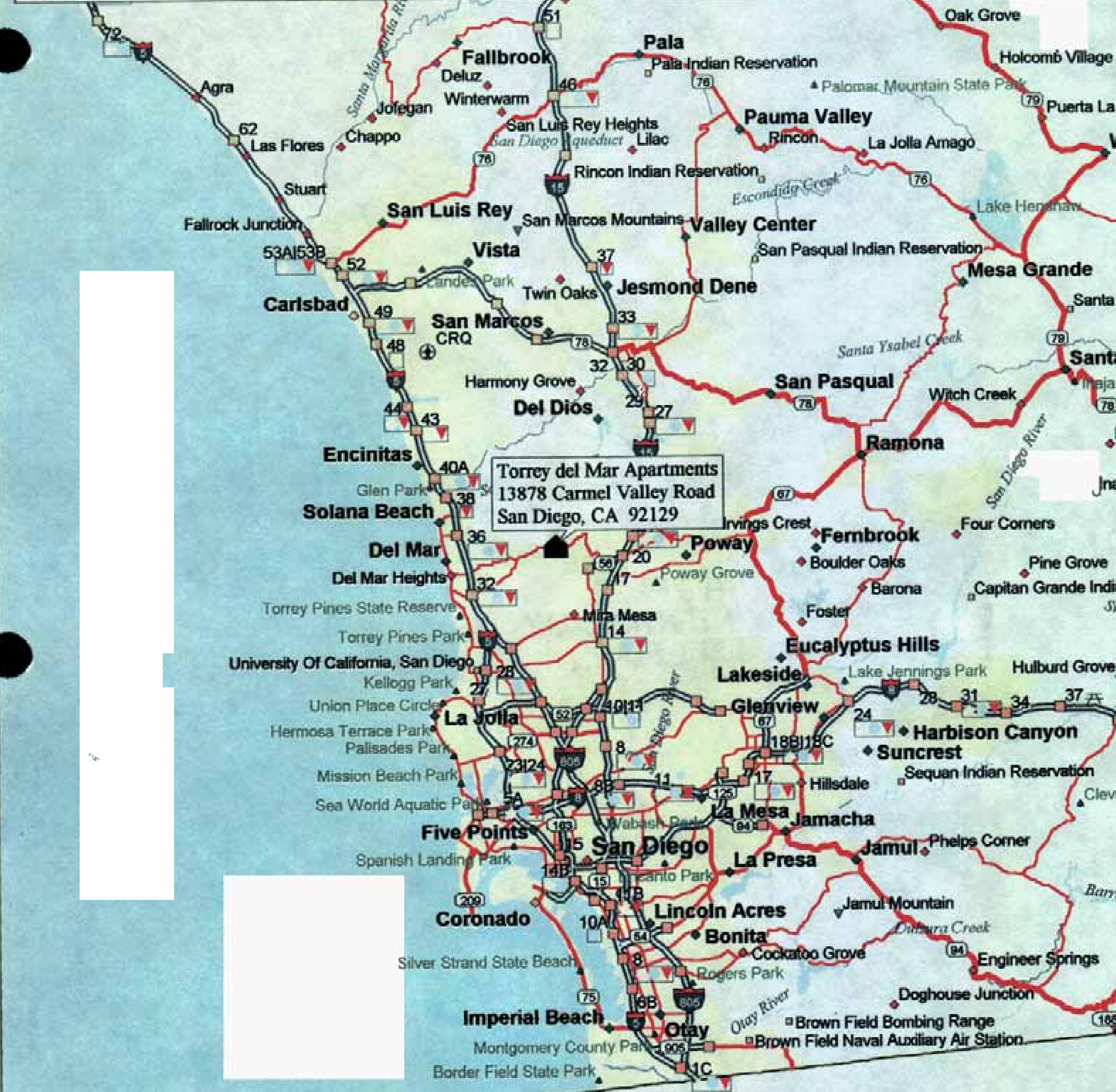
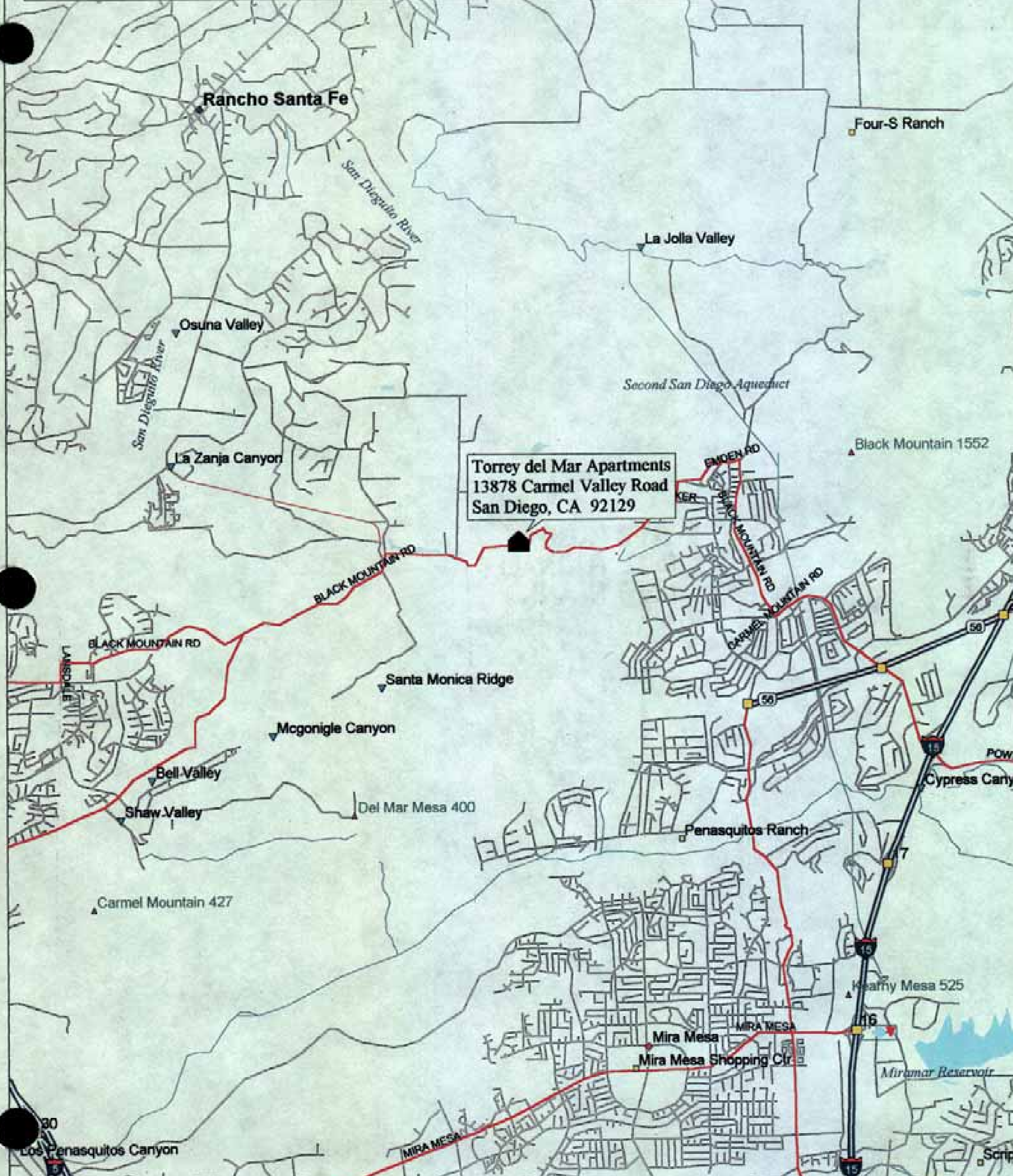
Cash Flow

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 RentIncrease	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,200,98 I	1,231,006	1,261,781	1,293,326	1,325,659	1,358,800	1,392,770	1,427,589	1,463,279	I,499,86 I
TOTAL RENTAL INCOME	1,200,981	1,231,006	1,261,781	1,293,326	1,325,659	1,358,800	1,392,770	1,427,589	1,463279	1,499,861
OTHERINCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	17.618	18,059	18.510	18.973	19.447	19.934	20,432	20.943	21,466	22.003
Commercial	NIA	N/A	NIA	NIA	NIA	NIA	N/A	NIA	NIA	NIA
TOTAL OTHER INCOME	17,618	18,059	18,510	18,973	19,447	19,934	20,432	20,943	21466	22,003
CROSS **INCOME**	1,218,600	1,249,065	1,280,291	1,312,299	1,3035,106	1,378,734	1,413,202	1,448,532	1,484,745	1,521,864
Vacancy Rate :Market	NIA	NIA	NIA	N/A	NIA	NIA	NIA	NIA	NIA	N/A
VacancyRare : Affordable	5 . m	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: vacancy **Loss**	60,930	62.453	64.015	65.615	67,255	68,937	70,660	72.427	74.237	76,093
EFFECTIVE CROSS INCOME	1,157,670	1,186,612	1316377	1,246,684	1,277,851	1,309,797	1,342,542	1,376,106	1,410,508	1,445,771
OPERATINGEXPENSES										
Annul Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%
Expenses	748.838	718,792	809,944	842341	876.035	911,076	947.519	985.420	1,024,837	1.065.830
Replacement Reserve	5 1,328	51,328	51,328	51,328	51,328	53.895	53.895	53,895	53,895	53.895
Annual TarIncrease	2.00%	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m
Taxes and Assessments	0	0	0	0	0	0	0	0	0	n
TOTAL EXPENSES	800,167	830,120	861,272	893,670	927363	964,971	1,001,414	1,039,315	1,078,732	1,119,725
NET OPERATING INCOME	357,503	356,491	355,005	353,014	350,487	344,826	341,128	336,791	331,776	326,046
DEBTSERVICE										
CHFA - **1st Mortgage**	276,503	276.503	276.503	276503	276,503	276.503	276503	276503	276.503	276,503
CHFA '**Bridge Loan**										
MHP	17,944	17,944	17,944	17.944	17,944	17,944	17.944	17,944	17.944	17,944
CASH **FLOW after** debt	63,056	62,044	60,558	58,567	56,041	50,379	46,681	42,344	37,330	31,599
DEBT COVERAGE RATIO	1.21	1.21	1.21	1.20	1.19	1.17	1.16	1.14	1.13	1.11

Torrey del Mar Apartments



Torrey del Mar Apartments 856



RESOLUTION 01-08

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Valley Housing Associates, L.P., BRIDGE Housing Corporation-Southem California (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 112-unit multifamily housing development located the City of San Diego to be known as Torrey Del Mar (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 20, 2001 (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 deciare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on February 20, 2001, 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 Multifamily 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	LOAN AMOUNT
01-001-s	Torrey Del Mar	112	
		First Mortgage:	$3,970,000
		Loan-to-Lender:	$9,905,000
		Tax-Exempt Bridge:	$4,245,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifdy 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%) and modify the interest rate charged on the Loan-to-Lender loan based upon the then cost of funds 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 Multifdy 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 01-08 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Sacramento, California.

Secretary

CALIFORNIA HOUSING FINANCE AGENCY

final Commitment
Grayson Creek Apartments
CHFA Ln.# 01-002-N

SUMMARY:

This is a Final Commitment request for a loan funding to Union Bank, under the CHFA Loan to Lender program, in the amount of and; a first mortgage permanent (takesut) loan in the amount of $5,700,000. The permanent loan at $5,700,000 will be h d e d fi-om repayment proceeds of the construction loan. The **4.2%** Loan to Lender interest rate is subject to change prior to issuance of bonds. The project is Grayson Creek Apartments, a 70-unit, family, new construction project located at 100 Chdpancingo Parkway, Pleasant Hill, Contra Costa County.

LOAN TERMS:

Loan to Lender	$9,100,000
Interest Rate	4.2%
Term	Two Years
Financing	Tax-Exempt
1st Mortgage Amount	**$5,700,000**
Interest Rate	**5.7%**
Term	**30 year fixed, fully amortized**
Financing	**Tax-exempt**

LOCALITY INVOLVEMENT:

The Pleasant Hzll Redevelopment Agency is providmg a rental subsidy contract to the bonower at $235,000 per year for 30 years. The Pleasant Hill Redevelopment Agency is **also** providmg a $770,000 loan at 3% for 30 years. The County of Contra Costa is providmg two loans, $650,000 and $1,925,000 at 3% for **55** years. The State of California Department of Housing and Community Development through its M u l t i f d y

Housing Program is providmg a loan of $4,074,510 at 3% for **55** years. In addition, the HCD/MHP charges a nominal administrative *mual* fee. Finally, World Savings Bank is providmg an AHP loan of $284,000 at zero interest for 30 years. All of these loans are residual receipts loans and paid fiom surplus cashflow.

MARKET

A. Market Overview

The City of Pleasant Hill is a predominately residential community that is located primarily west of Interstate 680, east of the Briones Regional Park, north of Geary Road/Treat Boulevard and south of Hzghway 4. It borders Martinez to the north and west, Concord to the north and east and Walnut Creek to the south. The California State Department of Finance reports a population for the City of Pleasant Hill as of **January** 1, 2000 of 33,150 persons. This represents a slight decrease of 0.2 percent over the period one year earlier. **ABAG** is projecting population growth of 3.3 percent total by 2005. This reflects the established nature of the **area** and the lack of available land for development.

Accordmg to ABAG, Pleasant Hill is a relatively affluent community with a mean household income in 2000 of $78,100. This compares to $81,100 in Walnut Creek, $65,100 in Concord and $74,700 in Martinez. Total employment in the city as of 2000 is estimated at 18,980 jobs by **ABAG.** Of this amount, 46 percent are found in the service area and 22 percent in retail. **ABAG** projects a 3.9 percent increase in jobs by 2005 compared to the 2000 level, for an annual growth rate of approximately 0.78 percent per year.

B. Market Demand

Age distributions in the Grayson Creek Market **Area** (Pleasant Hzll, Concord, Walnut Creek, Martinez, Clayton, and surrounding unincorporated areas) and Pleasant Hill **are** remarkably similar. The percentage of residents under age 18 **has** remained close to 22 percent for both geographies in 1990, 1999, and 2004, while the percentage of seniors has varied only from 12 to 15 percent of their populations. Both geographies have an agmg population; median age in the market area will grow to an estimated 40.6 in 2004 fiom 35.3 in 1990, while median age in Pleasant Hzll will rise fiom 35.1 to 41.0.

Even though the overall population is agmg, the proportion of elderly (65+) increased only slightly in Pleasant Hill and the Market **Area** between 1990 and 1999, from 12 percent to 13 percent and 13 percent to 16 percent respectively, of the total population. ***As*** of 1999 there were an estimated 27,826 non-elderly and 4,036 elderly persons in Pleasant Hill and 253,500 non-elderly and 43,163 elderly in the Market **Area.**

Most renter households in Pleasant Hill and the Market *Area* are small unit sizes. Based on **1990** Census data (most recent source available),in Pleasant Hill, one- and two-person households accounted for **72** percent of all households; **68** percent of the Grayson Creek Market *Area* renter households had one or two persons **m** the unit. For the Market *Area,* there were **26,417** of these small households, **6,116** three-person renter households, 3,824 four-personrenter households, and **2,622** renter households of five or more persons.

Households in the City of Pleasant Hzll ***are*** slightly more affluent than those in the Grayson Creek Market *Area.* Median **1999** household income in the city was **$61,968,** compared to **$57,529** in the Market Area. The proportion of renter households falling below the income threshold is much hgher, since less affluent households are also more hkely to be renters. Approximately two-thirds of the least affluent households (those with *mual* incomes below $10,000) are renters, compared with only **11** percent of those with incomes over **$100,000** or more. *Over* forty percent of renter households, orjust about **19,000** households, have household incomes below $35,000, in comparisonto only about **18** percent of all owner-occupiedhouseholds.

The Contra Costa Consolidated Plan for **2000/01-2004/05** notes the renter need for the following income categories:

0-308	5,267
31%-50%	4,347
51%-80%	4,167

The demand from existing households and new households in the Market Area is as follows:

0-30%	1,026
318-508	1,800
51%-80%	2,363

C. Market Supply

As in many other Bay *Area* communities,rent levels in the Pleasant Hzll housing market have seen substantial increases in recent years, due to consistently high demand. According to RealFacts, **a** private rental market data vendor, the average occupancyrate in Pleasant Hzll was **97.1** percent in **1998,** grew to **98** percent in **1999,** and has *grown* even hgher to **98.7** percent in **2000.** ***As*** a result of these occupancy levels, rents in Pleasant Hzll increased at an averagerate of **9 2** percent fi-om **1998** to **1999,** and increased another **6.4** percent between January and March **2000.** This data is based on rent levels and occupancyrates at **15** complexesin Pleasant Hill, with a total of **2,126** units.

Based on RealFacts data for Pleasant Hzll, current average rents by bedroom count are: **$950** for one-bedroom units, **$1,036** for two-bedroom /one-bath units, and **$1,642** for three-bedroodtwo-bath units.

13percent of Pleasant Hill's rental stock was constructed in the 74 percent dates from the 1970s and 13percent were built in the1980s.

There are six planned projects in the Market Area, but none of these *are* located in Pleasant Hzll. In Concord, the Vintage Brook project will provide 148 elderly units serving 30 to **53** percent AMI households, recently opened. Although the rental ranges for this one and complex will be competitive with the subject project, Vintage Brook will not du-ectly compete with Grayson Creek, due to the subject's non-age restricted structure and range of unit sizes

Another project, Ivy Hzll in Walnut Creek, will offer a mixed income rent structure, with **47** of its 1**16** units designated for low and moderate income households.

In addition to these affordable housing opportunities, the market area is slated 'for development of one non-elderly market rate project in Walnut Creek (120 units at Belle Torre), and one senior assisted living market rate project in Clayton (Diamond Terrace, with 86 assisted living units). Neither of these projects is anticipated to be competitive with the Subject project.

Unit Type	Subject:	Market Rent	Dif. Btwn. Mkt.	% of Market
One Bedroom		$1,150		
35%	$327		$823	28%
40%	$379		$771	33%
60%	$722		$428	63%
Two Bedroom		$1,250		
35%	$385		$865	31%
40%	$448		$802	36%
50%	$709		$541	57%
60%	$861		$389	69%
Three Bedroom		$1,650		
35%	$443		$1207	27%
40%	$515		$1135	31%
50%	$784		$866	48%
60	$992		$658	60%

PROJECT DESCRIPTION:

A. Site Design:

The property consists of two contiguous parcels that are to be combined for one single project. The parcel is slightly irregular but generally rectangular. It has fi-ontage on Chdpancingo Parkway, and the western portion is generally at street grade. The second parcel is located behind the first parcel, and has no du-ect street fi-ontage. This site is also irregular in shape. The eastem portion, whch is encumbered by a scenic easement, slopes downward steeply toward Grayson Creek.

Grayson Creek will consist of three, separate bddmgs. The site plan concentrates development on the southern half of the property, close to Chdpancingo Parkway. All of the structures will be built over a partially submerged parhg garage. The garages will be of concrete and concrete block construction with stucco exteriors. The bddmgs will be wood frame construction above the garage level with hardboard sidmg with stucco accents. The improvements will have composite shgle roofing. Common area features include numerous landscaped walkways between bddmgs, a basketball court, children's playground, community room and laundry room facilities on every floor in each bddmg.

The residential structures are two and three-stories in height and step up and down the sloping site. The three-story bddmgs will have elevators. There are a total of five different floor plans offered at the subject, includmg the manager's unit. There will be one-bedroom units and two different unit plan lay-out versions for the two and three-bedroom units.

Overall the subject development will be of average quality and construction. The project offers functional floor plans and unit layouts and average unit sizes compared to other apartment residential housing in the area. The overall quality of the interior features is also considered to be average.

B. Project Location:

The subject property is near the eastern border of Pleasant Hzll, near Concord. The neighborhood is generally considered to be the Contra Costa Boulevard Corridor. This corridor contains the largest concentration of commercial activity in Pleasant Hill. The subject site borders this commercial strip to the east, and residential neighborhoods to the west.

Immediately adjacent to the subject on the west side is a HUD apartment project, and further west, there are several low and medium-density apartment and condominium projects. Most were built in the 1970s and early 1980s. Properties are generally well maintained and in good condition.

The eastern edge of the subject site borders Grayson Creek. Across the creek is a shopping center with Target and Toys' R' Us. To the south, on the east side of Grayson

Creek, is a Kmart and Safeway anchored shopping center. Other land uses in the area include Diablo Valley College and a golf course. In summary, the subject neighborhood is a good multifdy location with close proximity to commercial services. Freeway access is available within one-half mile.

OCCUPANCY RESTRICTIONS:

CHFA	20% of the units (14) will be restricted to 50% or less of median income.
TCAC:	100% of the units (70) will be restricted to 60% or less of median income.
P. H. Redev	50% of the units (35) will be restricted to 50%. 24% of the units (17) will be restricted to 60%, and 27% of the units (19) will be restricted to 110% of median income.
HCD/MHP	10% of the units (7) will be restricted to 35% of state median income and 33% of the units (23) will be restricted to 40% of state median income.

ENVIRONMENTAL:

Phase I-Environmental Assessment Report by Krazan & Associates dated February 29, 2000 indicated no adverse conhtions. An updated Phase I has been ordered and will be a condition of the final commitment.

Noise mitigation is required and will be incorporated into building layout and unit specifications.

ARTICLE 34:

The Pleasant Hill Redevelopment Agency issued a letter dated November 17, 2000 indicating the 70-unit Grayson Creek complex is replacement housing for Pleasant Hill's Downtown redevelopment project. Since the Replacement Housing Plan for the downtown project determined that the 70-units are exempt from Article XXXIV, this applies to Grayson Creek.

DEVELOPMENT TEAM:

A. Borrower's profile

The owner is BRIDGE Grayson Creek Associates, LP with BRIDGE Housing as general partner.

BRDIGE Housing Corporation was established in 1982 and developed, constructed and managed 503 units of multifdy housing in the year 2000.

B. Contractor

Segue Construction, Inc., is a service oriented general contractor with a distinct emphasis on the turn-key construction of affordable multi-family apartment dwehgs for Bay Area non-profit housing developers.

C. Architect

Paul Barnhart is the owner of Barnhart Associates Archtects Inc., whch is a full service archtectural firm. The firm has designed a wide variety of projects.

D. Management Agent

BRIDGE Property Management Company ("BPMC") will provide property management services for the project. BPMC was formed in 1988 as a financially independent, but affiliated, non-profit company to assure that BRIDGE developments in whch BRIDGE has served as developer will be maintained.

Project Summary

867 LOAN TO LENDER PROGRAM

Project Profile:

Project	I Grayson Creek Apts.	*Appraiser:*	Chris Carneghi
Location:	100 Chilpancingo Pkwy		Carneghi-Bautovich
	Pleasant Hill	*Cap Rare:*	7.256
County/Zip:	Contra Co: 94523	*Market:*	$ 10,200,000
	BRIDGE Cr.Assoc	*Income:*	10,650,000
	BRIDGE		10,400,000
	TBD		
		LTC/LTV:	
Progmm:	Tax Exempt	***Loan/Cost***	32.6%
CHFA#:	01-002-N	***Loan/Value***	54.8%

Project Description:

Units	70
Handicap Units	3
Bldge Type	New Construction
Buildings	3
Stones	2 8 3
Ft	118,670
	17
TotalParting	140
Covered Panting	40

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA		1,429	5.70%	30
MHP	10	$58.207	3.00%	55
y/Land		$36,786	3 . m	55
Redev. Agency	$770,000	$11,000		
AHP	$284,000	$4,057		
Tax Credit Equity	$3,816,991	$54,528		
Deferred Developer Fee	5238,623	53,409		
CHFA Loan to Lender	$9,100,000	$130,000	4.20%	2
CHFA HAT		$0	0.00%	

Unit Mix:

Type	Size	Number	AMI/SMI	Rent	Max Income
1 BR	630	2	35%	$327	$18,935
2 BR	860	3	35%	$385	$21,298
3 BR	1160	2	35%	$443	$23,660
1 BR	630	7	40%	$379	$21,640
2 BR	860	10	40%	$448	$24,340
3 BR	1160	6	40%	$515	$27,040
2BR	860	2	40%	$557	$24,340
3 Br	1160	3	40%	$641	$27,040
2 BR	860	3	50%	$709	$27,050
3 BR	1160	5	50%	$784	$30,425
1 BR	630	7	60%	$722	$32,460
2 BR	860	10	60%	$861	$36,510
3 BR	1160	10	60%	$992	$40,560
		70			

Agency pledge - pa year for 30 years.

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	security
Commitment Fee	1.00%	of Loan Amount	$91,000	Cash
Finance Fee	1.00%	of Loan Amount	$57,000	Cash
Bond Origination Guarantee				
Rent Up Account	15.00%	of Gross Income	$83,063	Letter of
Operating Reserve		of Gross Income	$55,375	of Credit
Marketing		of Gross Income	$55.375	Letter of Credit
Annual Replacement Reserve Deposit	0.600%	Hard Costs	$24,753	Operations
Coast. Defect Agreement	2.50%	Perm-12mos	$206.279	Letter of Credit

Sources and Uses — Grayson Creek Apts.

SOURCES:

Name of Lender / Source	Amount	$per unit
CHFA First Mortgage	5,700,000	81,429
CHFA Bridge	0	0
CHFAHAT	0	0
MHP	4,074,510	58,207
County/City/Agency/Land	2,575,000	36,786
Other Loans	1,054,000	15,057
Total Institutional Financing	13,403,510	191,479
Equity Financing		
Tax credits	3,816,991	54,528
Deferred Developer Equity	238,623	3,409
Total Equity Financing	4,055,614	57,937
TOTAL SOURCES	17,459,124	249,416

USES:

Acquisition	2,518,200	35,974
Rehabilitation	0	0
New Construction	10,749,910	153,570
Architectual Fees	500,000	7,143
Survey and Engineering	100,000	1,429
Const. Loan Interest & Fees	1,314,327	18,776
Permanent Financing	161,500	2,307
Legal Fees	50,000	714
Reserves	193,813	2,769
Contract Costs	21,500	307
Construction Contingency	576,456	8,235
Local Fees	290,895	4,156
TCAC/Other Costs	382,523	5,465
PROJECT COSTS	16,859,124	240,845
Developer Overhead/Profit	600,000	8,571
Consultant/Processing Agent	0	0
TOTAL USES	17,459,124	249,416

Annual Operating Budget Grayson Creek Apts.

		$ per unit
INCOME:		
Total Rental Income	547,032	7,815
Laundry	6,720	96
Other Income	0	-
	0	-
Gross Potential Income	553,752	7,911
Less:		
vacancy Loss	27,688	396
Redev. Agency	235,000	3,357
Total Net Revenue	**761,064**	10,872
EXPENSES:		
Payroll	*97582*	1,394
Administrative	48,250	689
Utilities	61,948	885
Operating and Maintenance	44,886	641
Insurance and Business Taxes	25,848	369
Taxes and Assessments	1,472	21
Reserve for Replacement Deposits	24,753	354
Subtotal Operating Expenses	**304,740**	**4,353**
Financial **Expenses**		
Mortgage Payments(1st loan)	396,994	5,671
Total Financial	**396,994**	5,671
Total Project Expenses	701,733	10,025

Cash Flow   Grayson Creek Apts.   CHFA #   01-002-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	**0**	**N/A**	N/A	MA	MA	N/A	MA	MA	MA	MA
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	547.032	560,708	574.725	589.094	603.82 I	618,916	624.399	650.249	666.505	683,168
TOTAL RENTAL INCOME	547,032	**560,708**	**574,726**	589,094	603,821	618,917	634,389	650,249	**666,505**	683,168
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	6,720	6.888	7,060	7,237	7.418	7.603	7.793	7.988	8. 188	8.392
Commercial	**N/A**	MA	MA	NIA	NIA	N/A	N/A	MA	MA	N/A
TOTAL OTHER INCOME	**6,720**	**6,888**	**7,060**	7,237	7,418	**7,603**	**7,793**	**7,988**	**8,188**	**8,392**
GROSS INCOME		**567,596**	581,786	**596,330**	611,239	**626,520**	**642,183**		674,693	
Vacancy I	*N/A*			*NIA*		*NIA*				*NIA*
VacancyRate :Affordable	5.00%	*5.00%*	5 . m	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	5 . m
Less: *Vacancy* Loss	27.688	28.380	29,089	29.8 I7	30,562	31.326	32,109	32.9 I2	33.735	24.578
PleasMI Hill **Redev Agency Pledge**	712,000	235,000	235,000	235,000	712,000	235,000	235,000	732,000	235,000	235,000
EFFECTIVE GROSS INCOME	761,064	774,216	787,696	801,514	815,677	830,194	**845,073**	**860,325**	875,958	891,982
EXPENSES										
Expense	*4 . m*	*4.00%*	*4 . m*		*4 . m*		*4.*			*4.00%*
Expenses	278.5 14	289,655	301.24 I	313,291	325.822	338.855	352,409	366,506	381.166	396.4 I2
Replacement**Reserve**	24.753	24.753	24.753	24,753	24,753	25.991	**25,99 I**	25.99 **I**	25.99 **I**	**25,99 I**
Annual Tax Increase	*2.00%*	*2 . m*	***2.00%***	*2 . m*	*2 . m*	*2 . m*	*2 . m*	***2.00%***	***2.00%***	***2.00%***
Taxes and Assessments	1,472	**1,501**	1.53 I	1,562	1,593	1,625	1,658	I.69I	1,725	1.759
TOTAL EXPENSES	**304,740**	315,910	327,326	**339,606**	352,169	**366,471**	**380,058**	394,188	408,882	424,163
NET OPERATING INCOME				461,908				466, 138		467820
DEBT SERVICE										
CHFA - 1st **Mortgage**	396.994	396,994	396.994	396.994	396,994	396.994	396,994	**396.994**	396.994	396.994
CHFA - **Bridge** Loan	1,807,834	1,807,834	0	0	0					
HCD-MHP	I7.1 13	17,113	I7.1 I3	I7.1 13	I7.1 13	17,113	I7.1 13	I7.1 13	I7.1 I3	I7.1 13
CASHFLOW after debt **service**	42218	**44,200**	**46,064**				**50,908**	52,031		53,713
DEBT COVERAGE	1.10	1.11	1.11	1.12	1.12	1.12	1.12	1.U	1.13	1.13

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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	NIA	N/A	N/A	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Affordable Rent Increase	2.50%	2.50%	Z, SM	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%'
Affordable Rents	700,247	717.753	135,697	754,090	772.942	792.265	812,072	832374	853,183	874,513
TOTAL RENTAL INCOME	700,247	717,753	735,697	754,090	772,942	792,265	812,072	832,374	853,183	874,51E
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	8.602	8,817	9,038	9,264	9.495	9.733	9.976	10.225	10,481	10,743
Commercial	NIA		NIA		NIA					
OTHER INCOME						9,733		10,225	10,481	
GROSS INCOME	708,849	726,571	744,735	763,353	782,437	801,998	822,048	842,599	863,664	885,256
Vucancy Rate :Market	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vucancy Rare :Affordable	5.00%	5.00%	5.00%	5.00%	5 . m	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	35.442	16,329	37.237	38.168	39.122	401 00	41.102	421 30	43.183	44.263
Pleasant Hill Redev. Agency Pledge	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000 •	235,000	235,000
EFFECTIVE GROSS INCOME	908,407	925,242	942,498	960,186	978,315	996,898	1,015,946	1,035,469	1,088,481	1,075,993
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4 . m	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	4 2,269	428.760	445,910	463,747	482,296	501,588	521,652	542.4 8	564,2 9	586,787
Replacement Reserve	27,291	27.291	27291	27.291	27291	28.655	28.655	28,655	28,655	28,655
Annual Tax Increase	2.00%	2 . m	2 . m	2 . m	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	1,794	1,830	1,867	1,904	1,942	1,981	2,021	2,061	2,102	2,144
TOTAL EXPENSES	441,354	457,881	475,068	492,941	511,529	532,225	552,328	573,234	594,976	617,587
NET OPERATING INCOME	467,053	467,361	467,431	467,244	466,786	464,674	463,618	462,235	460,505	458,406
DEBT SERVICE										
CHFA - 1st Mortgage	396,994	396,994	396.994	396.994	396,994	396.994	396,994	396.994	396,994	396,994
CHPA - Bridge Loan										
HCD-MHP	17,113	11,113	11,113	17,113	17,113	11,113	17,113	17,113	17,113	17,113
CASH FLOW after debt service	52,946	53,255	539324	53,137	52,679	50,567	49,511	48,128	46,398	44,299
DEBT COVERAGE RATIO	1.13	1.13	1.13	1.13	1.13	1.12	1.12	1.12	1.11	1.11

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Cash Flow

RENTAL INCOME	Year 21	Ytar 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	NIA	NIA	NIA	NIA	NIA	NIA	N/A	NIA	NIA	NIA
***Affordable** Rent Increate*	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable *Rents*	896,376	918,785	941,755	965.299	989.431	1,014,167	1,039,521	1,065,509	1,092,147	1.1 19,450
TOTAL RENTALJHCOME	896,376	918,785	941,755	965,299	989,431	1,014,167	1,039,521	1,065,509	1,092,147	1,119,450
OTHERINCOME										
Other Income Increase	2.50%	2.50%	2.50%	250%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	11,012	11,287	11,569	11,858	12,155	12,459	12,770	13,089	13.416	13,752
Commercial	NIA	N/A	N/A	NIA	N/A	NIA	N/A	NIA	N/A	NIA
TOTAL OTHER INCOME	11,012	11,287	11,569	11,858	12,155	12,459	12,770	13,089	13,416	13,752
GROSS INCOME	907,387	930,072	953,324	977,157	1,001,586	1,026,625	1,052,291	1,078,598	1,105,563	1,133,202
Vacancy Rate :Market	NIA	N/A	NIA	NIA	N/A	NIA	NIA	NIA	N/A	N/A
VacancyRate :Affordable	5.00%	5.00%	5.00%	5 . m	5.00%	5.m	5.00%	5.00%	5.00%	5 . m
Less: vacancy Loss	45,369	46,504	41,666	48,858	50,079	51331	52,615	53.930	55.278	56,660
Pleasant Hill Redev. *Agency* Pledge	235,000	235,000	235,000	235,000	235,000	775,000	235,000	235,000	215,000	235,000
EFFECTIVE **GROSS** INCOME	1,097,018	1,118,568	1,140,657	1,163,299	1,186,506	1,210,294	1,234,676	1,259,668	1,285,285	1,311,542
OPERATING EXPENSES										
Annuul Expense Increase	4 . m	4.00%	4.00%	4 . m	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%
Expenses	610.259	634,669	660,056	686.458	713,916	742.473	772,172	803.059	835.181	868,588
Replacement **Reserve**	30,088	30.088	30.088	30.088	30.088	31,592	31,592	31,592	31,592	31,592
Annuul Tax Increase	2 . m	2.00%	2.00%	2.00%	2 . m	2 . m	2 . m	2.00%	2 . m	2.00%
Taxes and Assessments	7,187	2,231	7,276	7,271	7,368	7,A14	7,463	7,412	7,563	7,614
TOTAL EXPENSES	642,534	666,988	692,420	718,867	746,372	776,480	806,228	837,164	869,336	902,795
NET OPERATING INCOME	454,484	451,580	448,729	444,432	440,134	A11,814	428,449	422,504	415,949	408,747
DEBTSERVICE										
CHFA - Ist **Mortgage**	396,994	396.994	396.994	396,994	396.994	396,994	396,994	396.994	396,994	396.994
CHFA . Bridge Loan										
HCD-MHP	17.1 13	17.113	17,113	17,1 I3	17.113	17,1 I3	17.1 13	17.113	17.1 I3	17,113
CASH FLOW after **debt service**	40,377	37473	34,131	30,325	26,027	19,707	14,342	8,398	1,842	(5,360)
DEBT COVERAGE RATIO	1.10	1.09	1.08	1.07	1.06	1.05	1.03	1.02	1.00	0.99

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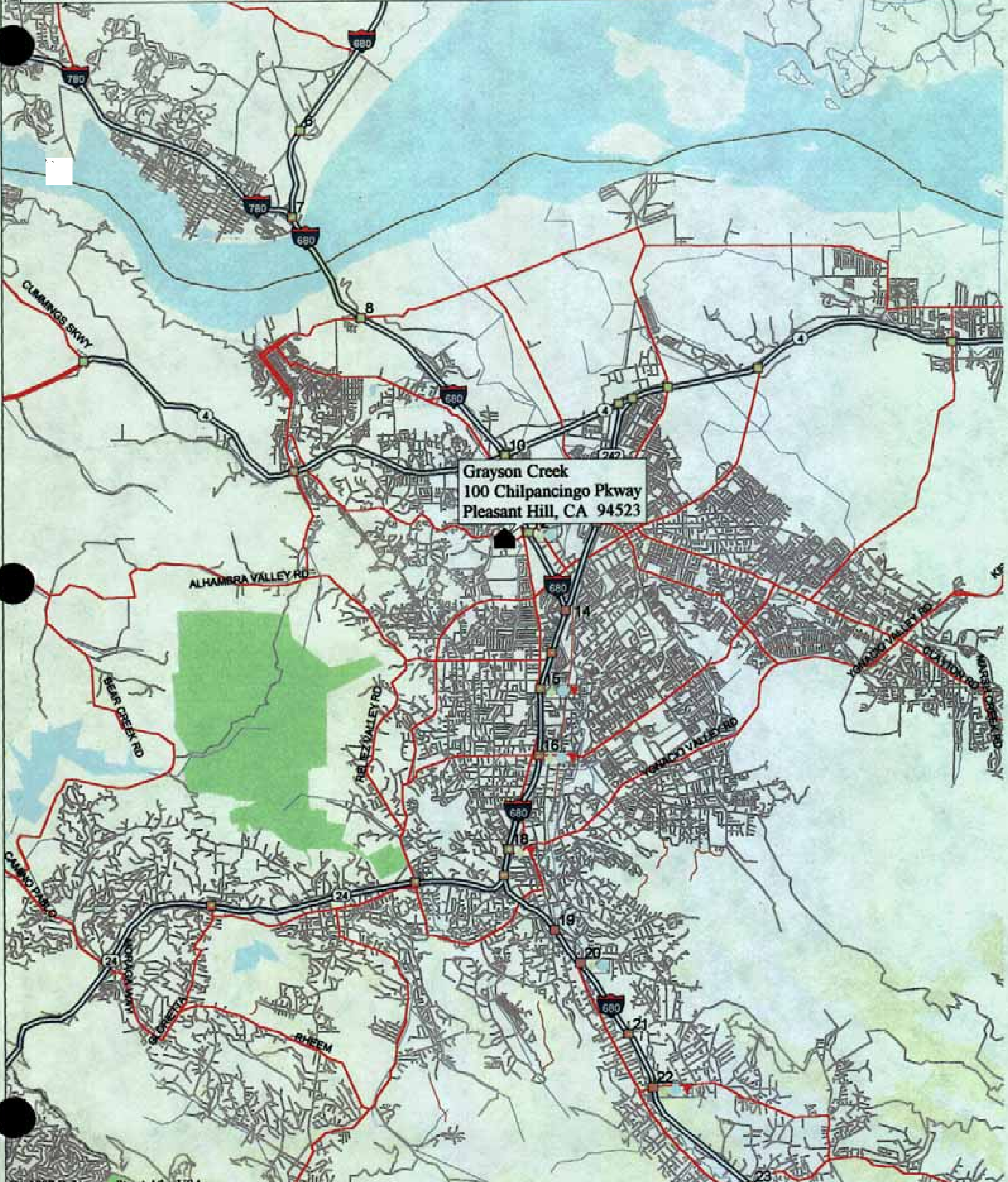
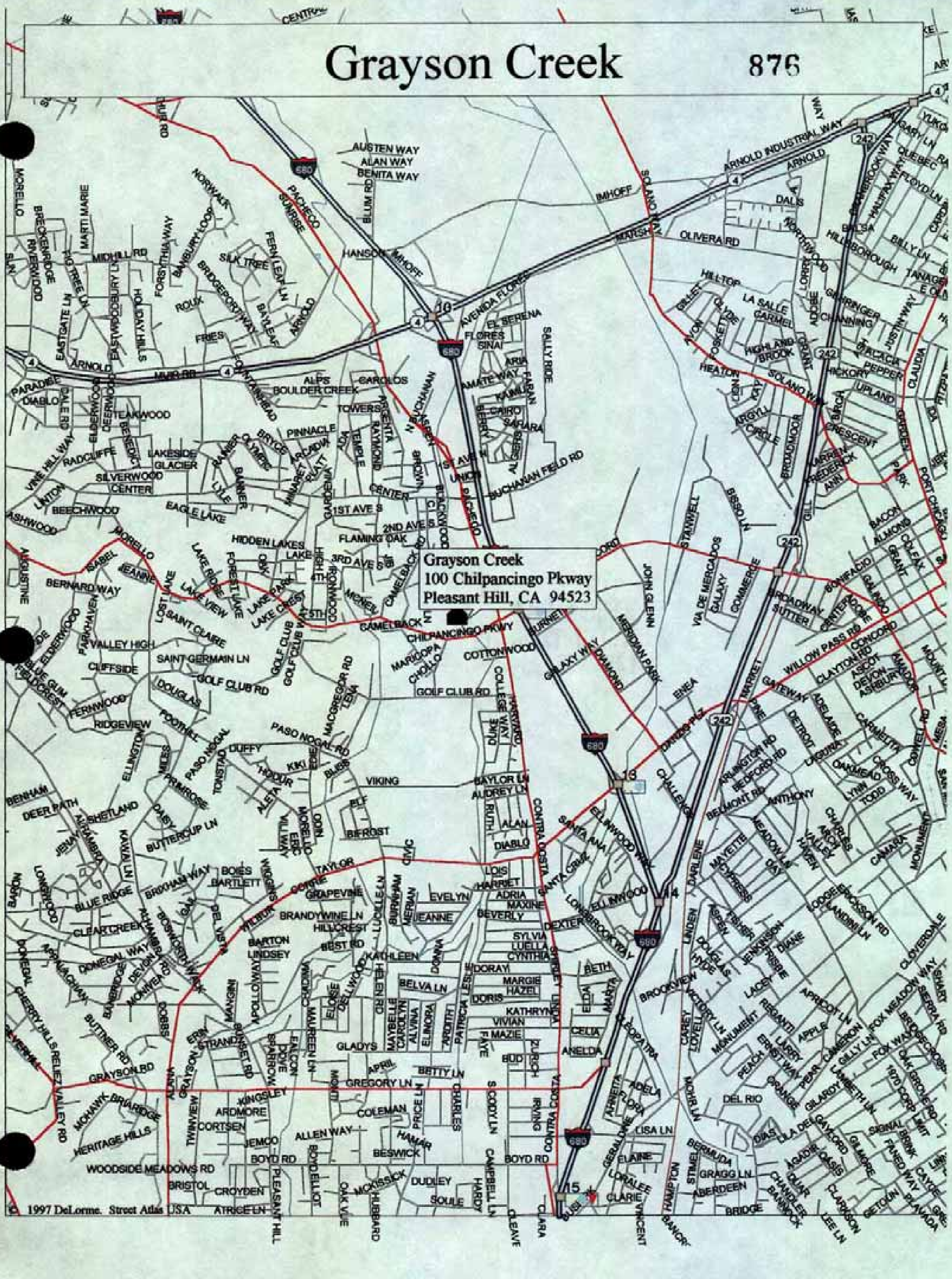
Grayson Creek

874



Grayson Creek 876



RESOLUTION 01-09

AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from BRIDGE Housing Corporation (the "Borrower"), a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 70-unit multifamily housing development located in the City of Pleasant Hill to be known as Grayson Creek (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 20,2001 (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 February 20, 2001, 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 Multifamily 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	LOAN AMOUNT
01-002-N	Grayson Creek Pleasant Hill/Contra Costa	70	
		First Mortgage:	$5,700,000
		Loan-to-Lender:	$9,100,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifdy 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%) and modify the interest rate charged on the Loan-to-Lender loan based upon the then cost of funds without further Board approval.

3. All other material modifications to the final commitment, includmg increases in mortgage amount of more than seven percent 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 absence, either the Chief Deputy Director or the Director of Multifdy 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 01-09 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Sacramento, California.

ATTEST:______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Old Grove Apartments
CHFA

SUMMARY

This is a final commitment request for a loan funding to Bank of America, under the California Housing Finance Agency ("CHFA" or "Agency") Loan to Lender Program, in the amount of Five Million Two Hundred Ten Thousand Dollars **($5,210,000)** and; **a** first mortgage permanent (take-out) loan in the amount of Seven Hundred Seventy Thousand Dollars ($770,000). In addition, the Agency may wish to issue a Bridge Loan for the purposes of increasing tax credlt equity. The permanent loan will be h d e d from repayment proceeds of the construction loan. The **4.2%** Loan to Lender interest rate is subject to c h g e prior to issuance of bonds. The subject property will consist of (new construction) fifty-six ***(56)*** family apartment units, with common area amenities, and situated on the southwest comer of Mzssion Avenue and Old Grove Road in Oceanside, San Diego County. The borrowing entity will **be** Mzssion Grove Housing, L.P., a California limited partnershp.

LOAN TERMS

Loan to Lender	**$ 5,210,000**
Interest Rate	**4.2%**
Term	Two years
Financing	Tax-Exempt
First Mortgage Loan	**$ 770,000**
Interest Rate	**5.7%**
Term	30 **year** fixed, fully amortized
Financing	Tax-Exempt

LOCALITY & OTHER INVOLVEMENT

'The City of Oceanside Housing and Neighborhood Services Department ("Oceanside HNS") will provide $1,967,000 in funding for this development; with an additional $43,956 derived fi-om projected accrued interest fi-om program fundmg. Funds will be used for site acquisition and construction related activities and will convert into long-term permanent fundmg upon completion of development. Oceanside has acquired fee title to the subject property and has entered in to a Purchase and Sale Agreement to sell the property to the project sponsor.

County of San Diego Department of Housing and Community Development - The San Diego 'County Board of Supervisor's approved $200,000 of Housing Opportunities for Persons with AIDS ("HPOWA")program funds for the developmentof the Old Grove Apartment complex.

The State of California Department of Housing and Community Development ("HCD"), under its Multifdy Housing Program ("MHP), will provide $2,490,000 in permanent funding. An *mual* administrative fee calculated at 0.42% of the outstandmg principal loan balance is payable to HCD during the first thirty (30)years of the loan.

The State of California Department of Housing and Community Development ("HCD) will fund an $850,000 Farmworker Housing Grant ("FHG) .

The Board of Directors of the Federal Home Loan Bank of San Francisco has awarded an Affordable Housing Program ("AHP") subsidy in the amounts of $220,000.

Equity fundmg shall be provided through the sale of low-income housing tax credits.

The Developer's financial obligations and regulatory constraints under the above-mentioned fundings and programs, and any other financial and regulatory constraints, shall be junior and subordmate to the California Housing Finance Agency's Regulatory Agreement and Deed of Trust.

MARKET

Market Overview

The City of Oceanside is located in the northwestern portion of San Diego County. Boundaries ofthe city are Camp Pendleton Marine Corps Base to the north, the City of Carlsbad to the south, the City of Vista and the community of Bonsall to the east, and the Pacific Ocean to the west.

Oceanside experienced steady population growth throughout the 1980's. Oceanside's growth began to slow in 1990,whch continuedthrough 1995. In 1996,1997and 1998, the growth rates were 1.9%, 2.9% and 2.7% respectively. The 1999 growth rate was 1.8%, whch compares with the County growth rate for the same period. However, llke the County as a whole, this local

LOCALITY OTHER INVOLVEMENT

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Pursuant to San Diego Area Governments ("SANDAG) data the City of Oceanside's median *household income, as of January 1, 1999, was $41,035. This level falls 5.9% below of San Diego County's 1999 median household income of $43,617. Oceanside's average household size is slightly larger at 2.95 versus the countywide average of 2.86.

Oceanside has a total labor force of 66,649 of whch 63390 are employed based on June 2000 California Employment Development Department data. The 4.1% unemployment rate is somewhat hgher than the County, whch posted a 3.3% unemployment rate for the same period.

The labor force in Oceanside is less diverse than the County economic base as a whole. Oceanside has a moderate and continuing supply of semi-skdled and unskdled workers. Skdled workers comprise the majority of the available workfiorce. Accordmg to 1995 SANDAG figures, the Oceanside civilian employment dominates the work force with 100 percent in non-military activities. Major economic bases, in descending order are; services, retail trade and government whch comprise 71% of Oceanside's economic base. Manufacturing, wholesale trade, real estate and financial, construction and agriculture comprise the balance. SANDAG estimates that the largest economic growth sectors between 1990 and 2015 will occur in finance, insurance and real estate (48%), services (46%), and wholesale and retail trade (41%)

Market Demand

It is estimated that the San Diego County area grew by approximately 59,600 residents in the year 2000. In 1995, it was identified that the County of San Diego had a housing shortage for moderate-income occupants of 26,538 units, whch will increase at an annual rate of approximately 7,500 units per year. Major development emphasis has been in the areas of market rate single family and market rate/luxury multifdy development. A recent phenomenon has been the requirement for the development of inclusionary housing. However, the demand for such housing far exceeds its availability.

Like most of San Diego County, Oceanside's vacancy rate has been declining over the last four years. In March 2000 vacancy stood at 2.23%. Within the last five years, the City of Oceanside's population has grown by 8.3% or 12,116 people. Overall employment has only increased 2% or 688 jobs. This seems to indicate that people are moving to Oceanside to live, but work elsewhere.

Housing Supply

Oceanside offers a wide variety of housing ranging fi-om homes built in the 1920's to new homes in master planned communities. Most homes have been built since 1970. Accordmg to SANDAG data, Oceanside's total housing units increased from 51,109 in 1990 to 58,082 in 1999 representing a 13.7% increase. Household size increased fiom 2.72 in 1990 to 2.95 in 1999. Oceanside had a 2000 median home price of $199,000, whch is up 13.1% fiom the $176,000 median home price posted last period.

Countywide median home prices were $256,000 in November of 1999, up 16% fiom one year prior. Several factors fueling these increases *are* pent-up housing demand as well as influences and activities fiom no-growth and environmental groups who advocate the potential removal of all residential vacant land for development. Because of scarce land availability as well as increases in building fees and other development **costs**, most new housing is selling in the $300,000 price range necessitating household incomes in excess of **$100,000** per year.

PROJECT FEASIBILITY

Market rate rents in Oceanside for comparable properties average $758 for a one-bedroom unit; $$901 for a two-bedroom unit; and **$1,050** for a 3 bedroom unit.

Projected rents for the subject range fiom **$184** - ***$580*** for a one-bedroom unit; $391 - $693 for a two-bedroom unit; and $358-$800 for a three-bedroom unit.

Market versus Restricted Rents

Unit Type	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		$ 758		
20%	$ 184		$ 574	24%
35%	$ 328		$ 430	43%
50%	$ 479		$ 279	63%
60%	$ 580		$ 178	76%
Two Bedroom		$ 901		
35%	$ 391		$ 510	43%
50%	$ 572		$ 329	63%
60%	$ 693		$ 208	77%
Three Bedroom		$ 1,050		
20%	$ 358		$ 692	34%
35%	$ 451		$ 599	43%
50%	$ 661		$ 389	63%
60%	$ 800		$ 250	76%

PROJECT DESCRIPTION

Project Location

The subject is situated in a developing rural area consisting of undeveloped land and residential properties. Across fi-om the subject at the northwest comer of Mzssion Avenue and Old Grove Road is a vacant field, whch is being considered for shopping center development. To the east, northeast and southeast are single-fdy residences and multi-fdy apartment development. To the south of the subject, uphill, and westerly of Old Grove Road are single family residential. To the west, contiguous and uphill to the subject, is vacant land.

There are two community shopping centers within **1.5 – 2** miles east northeast of the subject. These centers each have a supermarket and **drug** store, as well as restaurants, local retail, and multi-screened theater complexes. Situated in these centers **are** a Wal-Mart and K-Mart. Neighborhood shopping is also available within one mile to the west along Mzssion Avenue.

Approximately one half mile north of the intersection of Mzssion Avenue and Old Grove Road is Hzghway **76,** the San Luis Rey Mzssion Hzghway, whch connects with Interstate Hzghway **15** to the east and Interstate **5** to the west. Public bus transportation is available along Mzssion Avenue, whch provides a du-ect connection to Amtrak, the San Diego Coaster and Metrolink rad lines.

There are elementary and junior high schools and a large city park within one mile of the development. Vista Community Clinic is approximately three miles fi-om the site.

Site

The subject site is located at the southwest comer of Mzssion Avenue and Old Grove Road in the City of Oceanside. The property is roughly triangular in shape and consists of six parcels varying in size and shape and totaling approximately 4.1 acres. The subject property is currently undeveloped however, it has been rough graded and terraced with pad elevations increasing towards the southwest. Elevations onsite range fi-om approximately **102** feet above sea mean level ("MSL") at proposed Pad **A** to approximately 146 feet above MSL at proposed Pad H. Erosion protection measures as well as urban infrastructures used to control storm water run-off have been put in place for future development. There are several open drainage ditches to control storm water run-off includmg one that originates from a housing development south of the subject property and terminating in the middle of the subject property. Also there *are* several drainage pipes, over flow coverts, and a large storm drain traversing the property to control storm water run-off. There are two retaining walls as well as remnants of sandbags for erosion control. A proposed and dedicated public roadway (Via Pelicano) will bisect the subject property. This road will intersect with Old Grove Road approximately 300 feet south of Mzssion Avenue.

Improvements

Old Grove Apartments will consist of eight (8) three-story residential structures of wood frame and stucco construction containing fifty-six (56) affordable family rental units, as well a two-story 4,330 square foot community bddmg whch will house a childcare center on its first level and the projects residential tenants community area and project management offices on the second. The bddmgs are designed to step along the slope whde incorporating tuck-under parhg. On-site parking will be provided for 112 vehcles.

There are two residential bddmg types - both of whch are three-story with two-story townhouses over flats, and tuck-under parhg. The residential unit *mix* consists of twenty-four (24) one bedroom-one bath flats; fifteen (15) two bedroom-one bath flats; sixteen (16) three bedroom-two bath townhouses; and, one (1) three bedroom-two bath flat. On-site amenities will consist of the above-mentioned community room, maintenance facilities, two tot lots and attractive landscaped areas. Residential on-site parhg will consist of fifty-six (56) swface, and fifty-six (56) tuck-under carports.

The community room is designed so that each level has its own "at-grade" entrance. The lower daycare level has access from the east, whde the upper project community area has access fiom the south. Each level of the community bddmg shall be self-contained.

> The daycare center will have a waiting room, classroom, office, lutchen, storage and utility rooms, a staff restroom, a children's restroom and an exterior fenced play area, whch is accessible only fi-om the childcare center.
>
> The tenant's community area shall have a meeting room, computer room, management office, lutchen, men and women's restrooms, and a laundry room.

OCCUPANCY RESTRICTIONS

CHFA	20% of the units (12) will be restricted to *50%* or less of AMI
Oceanside NHS	100% of the units *(56)* will be restricted to 60% or less of AMI
San Diego HPOWA	7% of the units (4) will be restricted at 20% or less of SMI
HCD-MHP	7% of the units (4) will be restricted at 20% or less of SMI 22% of the units (12) will be restricted at 35% or less of SMI 42% of the units (23) will be restricted at *50%* or less of SMI 22% of the units (12) will be restricted at 60% or less of SMI
HCD - FHG	7% of the units (4) will be restricted at 20% or less of SMI 11% of the units (6) will be restricted at 35% or less of SMI

FHLBB -A"	*80%* of the units **(45)** will be restricted at *50%* or less of AMI
TCAC	100% of the units ***(56)*** will be restricted at 60% or less of AMI

ENVIRONMENTAL

Testing Engineers - San Diego, Inc., conducted a Phase I Environmental Site Assessment in December The property has been vacant since 1990. At one time it was improved with one residential structure. Prior to the it appears to have been undeveloped land.

The site inspection, review of government records, examination of historical records and agency inquiries concerning the subject property and its immediate surroundings identified no recowed environmental conhtions indicating the presence or hkely presence of any hazardous substances or petroleum products under conhtions that indicate an existing release, past release, or material threat of release of hazardous substances or petroleum products into the structures on the property or into the soil, groundwater, or swface water of the property. The report concludes that no further environmental assessments or investigations are recommended at this time.

A satisfactory and current environmental site assessment shall be required prior to Agency loan funding.

ARTICLE XXXIV

A satisfactory opinion letter will be required prior to permanent loan funding.

DEVELOPMENT TEAM

Borrower's Profile

Mzssion Grove Housing, L. P.

Mzssion Grove Housing, L. P, a California limited partnershp **was** organized in December 2000 to develop and operate Old Grove Apartments. Its managing general partner is Community Housing of North County, a nonprofit public benefit corporation.

Community Housing of North County ("CHNC") **has** been providmg affordable housing to working families and people in need since **1988** in San Diego County. Since its inception CNHC has developed seven complexes and has acquired and rehabilitated seven complexes, with nearly *600* housing units. Additional projects are in planning and development stages. Developments serve diverse communities, includmg City Heights, Encinitas, Escondido, Fallbrook, Lakeside, Oceanside, Poway, and Visa.

Contractor

Sun County Budders

Sun County Budders ("SCB") was incorporated in 1979 and focused on the construction of single-fdy homes and small apartment and industrial buildings. In 1983 Sun County Budders joined in partnershp with the Denman Company, at whch time the company concentrated *on* apartment developments only. SBC has constructed over 1,300 apartment units in various locations throughout Southern California.

Architect

Studlo E Architects

Studlo E Architects ("Studlo E) offers design, planning and project management services. Since it's founding in 1986, Studlo E has been recowed with numerous local and national design awards.

During the past six years, Studlo E has worked with many City and County agencies. Projects for these agencies have focused on redevelopment, urban and community design, urban housing, and mixed-use development. Studlo E has also worked with more than a dozen Southern California and New Mexico nonprofit organizations. Current public sector work includes comprehensive design gudelines and public improvement studies for the City of Chula Vista, urban enhancement studies for the City of San Diego, a major civic plaza for the City of Imperial Beach, a feasibility study for the County of Los Angeles and several affordable housing and mixed use developments.

Management Agent

Cuatro Properties, Inc

Cuatro Properties, Inc. ("Cuatro"), engages in a full range of activities associated with multifdy and commercial properties. These activities include the development, construction, ownershp, acquisition, maintenance, management, leasing. financing, refinancing and disposition. The company was formed in 1992. Cuatro has specifically targeted the affordable housing industry and is working with numerous nonprofit affordable housing developers.

Project Summary

889 **Loan** to Date:

Project Profile:

Project: Old Gmve **Apts**
Location: Old Gmve Rd & Mission Av
Oceanside
County/Zip: San **Diego** **92057**
Borrower: Mission Gmve Housing, LP
GP: Community Hsg / **North** Cnty
LP: TBD

Program: Loan To Lender
CHFA # : **01-003-S**

Appraiser: Wayne S. **Froboese, MAI**
Froboese Realty Group
Cap *Rate:* 8.25%
Market: **$ 5,525,000**
Income: **$ 5,525,000**
Final Value **$ 5,525,000**

LTC/LTV:
Loan/Cost 7.7%
Loan/Value **13.9%**

Project Description:

Units	**56**
Handicap Units	2
Bldg. Type	New **Construction**
Buildings	8
Stories	2
Gross Sq Ft	**47,834**
Land Sq Ft	199,940
Units/Acre	**12.20**
Total Parking	113
Covered Parking	0

Financing Summary:

	Amount	P w **Unit**	Rate	Term
CHFA First Mortgage	**$770,000** •	$13.750	5.70%	**30**
C i Loan Oceanside	$2,010,956	$35,910	**3.00%**	**55**
MHP Loan	**$2,490,000**	**$44,464**	3.00%	**55**
San Diego County - HOPWA	**$200,000**	**$3,571**	**0.00%**	
Farmworker Housing Grant	**$850,000**	**$15,179**	**0.00%**	
AHP Funds	**$220,000**	$3,929	**0.00%**	
borrowers Cash Contribution	***$0***	***$0***		
Deferred Developer Fee	$393,337	$7,024		
Tax Credit Equity	**$3,058,109**	**$54,609**		
CHFA Loan *to* Lender	**$5,210,000**	$93.036	4.20%	2.00
CHFA Bridge	**$0**	***$0***	***0.00%***	2.00

Unit Mix:

Type	Size	Number	AMI / SMI	Rent	Max Income
1 BR	700	4	20%	$184	$8,590
3 BR	1,000	4	20%	$358	$10,740
1 BR	700	4	35%	$328	$15,033
2 BR	850	3	35%	$391	$16,923
3 BR	1,000	5	35%	$451	$18,795
1 BR	700	10	50%	$479	$21,475
2 BR	850	9	50%	$572	$24,175
3 BR	1,000	4	50%	$661	$26,850
1 BR	700	6	60%	$580	$25,770
2 BR	850	2	60%	$693	$29,010
3 BR	1,000	4	60%	$800	$32,220
2 BR	850	1	Manager	$0	open
		56			

Fees, Escrows and Reserves:

Fees, Escrows and Reserves	Basis of	Requirements	Amount	Security
Commitment/ Ln to Lender	**1.00%**	of Loan Amount	$52.100	Cash
Finance Fee	1.00%	of Loan Amount	**$7,700**	Cash
Bond Origination Guarantee	**1.00%**	of Loan Amount	$52,100	Letter of Credit
Rent Up Reserve	15.00%	of Gross Income	**$50,206**	Letter of Credit
Operating Expense Reserve		of Gross Income	**$33,470**	Letter of Credit
Marketing Reserve		of Gross Income	**$33,470**	Letter of Credit
Annual Replacement Reserve Deposit			$1	Operations
Construction Defects Agreement	2.50%	Hard **Costs/12** months	$129,519	Letter of Credit

Sources and Uses — Old Grove Apts

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA First Mortgage	770,000	13,750
City Loan Oceanside	1,967,000	35,125
City Deferred Interest	43,956	785
MHP Loan	2,490,000	44,464
San Diego County- HOPWA	200,000	3,571
Farmworker Housing Grant	850,000	
AHP Funds	220,000	3,929
Total Institutional Financing	6,540,956	116,803
Equity Financing		
Borrowers Cash Contribution	*0*	*0*
Deferred Developer Fee	393,337	
Tax Credit Equity	3,058,109	54,609
Total Equity Financing	3,451,446	61,633
TOTAL SOURCES	9,992,402	170,436

USES:

Acquisition	748,000	13,357
Rehabilitation	0	0
New Construction	5,895,354	105,274
Architectual Fees	231,000	4,125
Survey and Engineering	26,000	464
Const. Loan Interest& Fees	532,535	9,510
Permanent Financing Fees	80,800	1,443
Legal Fees	37,000	661
Reserves	128,346	2,292
Contract Costs	21,000	375
Construction Contingencies	443,575	7,921
Local Fees	690,000	12,321
TCAC/Other Costs	123,629	2,208
PROJECT COSTS	8,957,239	159,951
Developer Fee	1,000,163	17,860
Project Administration	0	0
Consultant/Processing Agent	35,000	625
TOTAL USES	9,992,402	178,436

Annual Operating Budget — Old Grove Apts

		% of total	$ per unit
INCOME:			
Total Rental Income	330,672	98.8%	5,905
Laundry	4,032	1.2%	72
Other Income	0	0.0%	-
Gross Potential Income (GPI)	334,704	100.0%	5,977
Less:			
Vacancy Loss	13,388	4.0%	239
Total Net Revenue	321,316	96.0%	5,738
EXPENSES:			
Payroll	36,621	13.3%	654
Administrative	36,448	13.3%	651
Utilities	44,400	16.2%	793
Operating and Maintenance	56,836	20.7%	1,015
Insurance and Business Taxes	24,531	8.9%	438
Taxes and Assessments	2,500	0.9%	45
Reserve for Replacement Deposits	19,600	7.1%	350
Subtotal Operating Expenses	220,936	80.5%	3,945
Financial Expenses			
Mortgage Payments (1st loan)	53,629	19.5%	958
Total financial	53,629	19.5%	958
Total Project Expenses	274,565	100.0%	4,903

Cash Flow **Old Grove Apts** **CHFA # 01-003-S**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year5	Year6	Year7	Year8	Year 9	Year 10
Market Rent Inctease	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Incmase	2.50%	2.50%	2.50%	2 . m	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	330,672	338,939	347,412	356,098	365,000	374,125	383.478	393,065	402,892	412,964
TOTAL RENTAL INCOME	330,672	338,939	347,412	356,098	365,000	374,125	383,478	393,065	402,892	412,964
OTHER INCOME										
Other Income Inctease	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	4,032	4,133	4,236	4,342	4,451	4.562	4.676	4,793	4,913	5,035
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	4,032	4,133	4,236	4,342	4,451	4,562	4,676	4,793	4,913	5,035
GROSS INCOME	334,704	343,072	351,648	360,440	369,451	378,687	388,154	397,858	407,804	417,999
Vacancy Rate :Market	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.46%
Vacancy Rate Affordable	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	400%	4.00%	4.00%
Less: vacancy Loss	13,300	13,723	14.066	14,416	14,778	15.147	15,526	15,914	16.312	16,720
EFFECTIVE GROSS INCOME	321,316	329,349	337,582	346,022	354,673	363,539	372,628	381,944	391,492	401,279
OPERATING EXPENSES										10
Annual Expense Incmase	4.00%	400%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	198,836	206,789	215.061	223,663	232,610	241,914	251,591	261,654	272,120	283,005
ReplacementReserve	19,600	19,600	19,600	19,600	19,600	20,580	20,580	20,580	20,580	20,580
Annual Tax Incmase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	2,988
TOTAL EXPENSES	220,936	228,939	237,262	245,916	254,916	265,254	274,986	285,106	295.630	306,573
NET OPERATING INCOME	100,380	100,410	100,321	100,106	99,757	98,285	97,642	96,838	95,863	94,707
DEBT SERVICE										
CHFA - 1st Mortgage	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629
CHFA - Bridge Loan	0	0	0	0	0					
MHP Admin Fee	10,458	10,458	10,458	10,458	10,458	10,458	10,458	10,450	10,458	10,458
CHFA - HAT Loan	0	0	0	0	0					
CASH FLOW after debt service	36,293	36,323	36,234	36,019	35,670	34,198	33,555	32,751	31,776	30,620
DEBT COVERAGE RATIO	1.57	1.57	1S7	1.56	1.56	1.53	1.52	1.51	1.50	1.48

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Cash Flow

RENTAL INCOME	11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Incmase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Inctease	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	423,288	433,870	444,717	455,835	467,231	478.912	490,884	503,157	515,735	528,629
TOTAL RENTAL INCOME	423,288	433,870	444,717	455,835	467,231	478,912	490,884	503,157	515,735	528,629
OTHER INCOME										
other *Income Incmase*	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	5,161	5,290	5,423	5,558	5,697	5,840	5,986	6,135	6,289	6.448
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	5,161	5,290	5,423	5,558	5,697	5,840	5,986	6,135	6,289	6,448
GROSS INCOME	428,449	439,161	450,140	461,393	472,920	484,751	496,870	509,292	522,024	535,075
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	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Less: Vacancv Loss	17,138	17,566	18,006	18,456	18,917	19,390	19,875	20,372	20.881	21A03
EFFECTIV **GROSS** INCOME	411,311	421,594	432,134	442,937	454,011	465,361	476,995	488,920	501,1^3	513,672
OPERATING EXPENSES					15					20
Annual* Expense *Inctease	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	294,325	306.098	318,342	331,076	344,319	358,092	372,416	387.312	402,805	418,917
Replacement **Reserve**	21,609	21,609	21,609	21,609	22,689	22,689	22.689	22,689	22.689	23,824
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	3,047	3,108	3.171	3,234	3.299	3,365	3.432	3,5'1	3,571	3,642
TOTAL EXPENSES	318,982	[illegible]	343,122	355,919	370,307	384,146	[illegible]	413,502	42	441
NET OPERATING **INCOME**	92,330	90,778	09.012	87,018	83,704	81,215	70,450	75,418	72,078	67,289
DEBT SERVICE										
CHFA - **1st** Mortgage	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629
CHFA - Bridge Loan										
MHP Admin Fee	10,458	10,458	10,458	10,458	10,458	10,458	10,458	10,458	10,458	10,458
CHFA - HAT Loan										
CASHFLOW **after debt service**	28,243	26,691	24,925	22,931	19,617	17,128	14,371	11,331	7,991	3,202
DEBT COVERAGE RATIO	1.44	1.42	1.39	1.36	1.31	1.27	1.22	1.18	1.12	1.05

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	25	Year 26	Year 27	Year	Year 29	Year
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2 . m	2.50%
Affordable Rents			569,275			613.047	628,374		660,185	676,690
TOTAL RENTAL INCOME				583,507	598,095		620,374			676,690
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	6,607	6,772	6,941	7,115	7,293	7.475	7,662	7,854	8,050	8251
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	6,607	6,772	6,941	7,115	7,293	7475	7,662	7,854	8,050	8,251
GROSS INCOME	548,452	562,163	576,217	590,622	605,388	620,523	636,036	651,936	668,235	684,941
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	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Less: Vacancy Loss	21,938	22,487	23,049	23,625	24,216	24.821	25.441	26,077	26.729	27,398
EFFECTIVE GROSS INCOME	526,513		68			595,702	610,594	625,859		
OPERATING EXPENSES					25					
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	435,673	453,100	471,224	490,073	509,676	530,063	551,266	573,317	596,249	620.099
Replacement Reserve	23,824	23,824	23,824	23,824	25,015	25,015	25,615	25,015	25,015	26.266
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	3,715	3,769	3.865	3,942	4,021	4,102	4,184	4967	4,353	4,440
TOTAL EXPENSES	463,212	480,714	498,913	517,840	538,713	559,180	580,465	602,599	625,617	650,805
NET OPERATING INCOME	63,301	58.963	54,255	49,158	42,460	36.522	30.130	23,260	15.889	6.730
DEBT SERVICE										
CHFA - 1st Mortgage	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629	53,629
CHFA - Bridge Loan										
MHP Admin Fee	10,458	10,458	10,458	10,458	10,458	10,458	10,458	10,458	10,458	10,458
CHFA HAT Loan										
CASH FLOW debt	(786)						(33,957)			
DEBT COVERAGE RATIO	0.99	0.92	0.85		0.66	0.57	Od7		0.25	0.11

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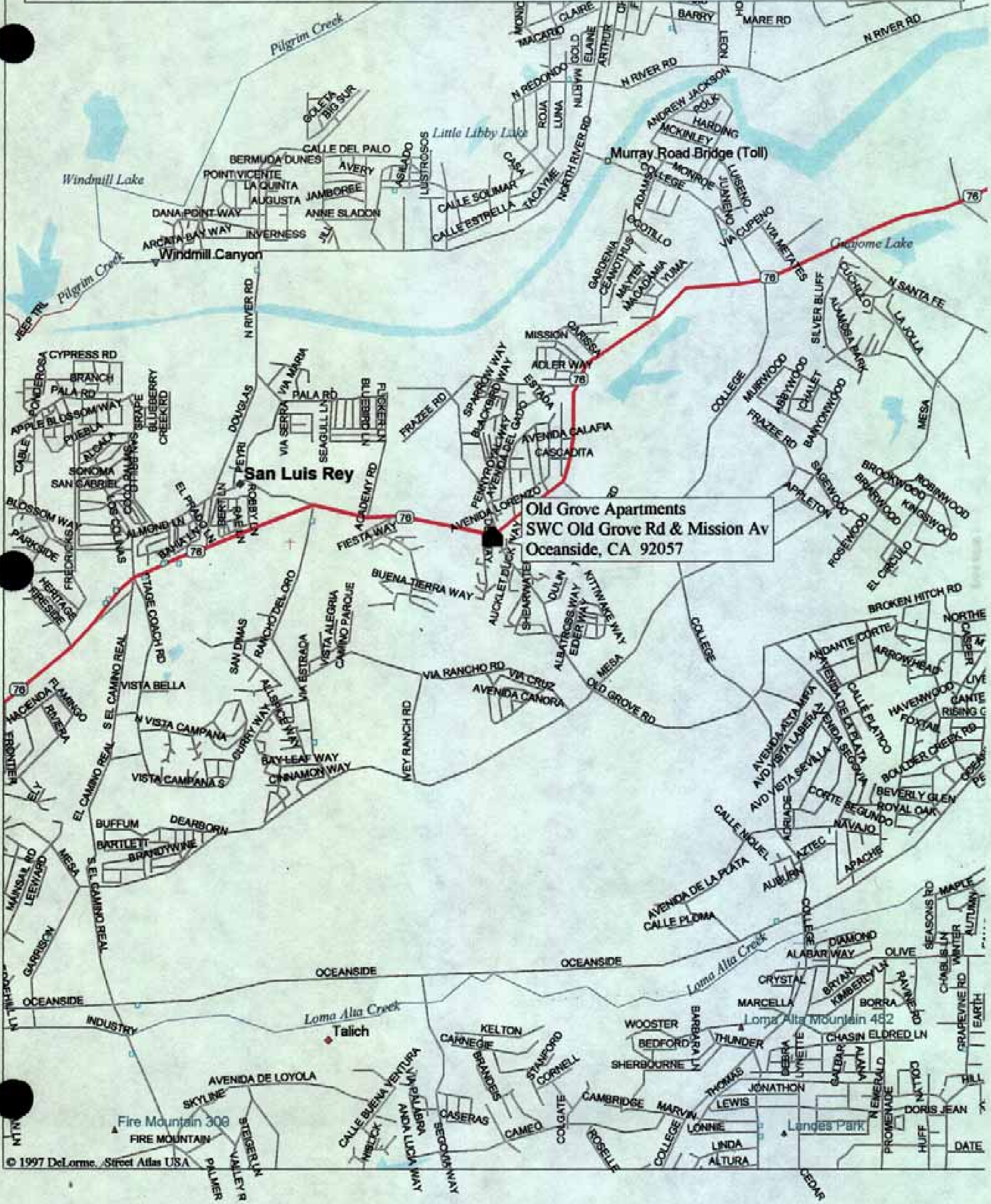
Old Grove Apartments

Old Grove Apartments 898



RESOLUTION 01-10

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application fiom Mission Grove Housing, L.P., a California limited partnership, c/o Community Housing Group of North County, a nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agencyls Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 56-unit multifamily housing development located in the City of Oceanside to be known as Old Grove Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 20, 2001 (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 February 20, 2001, 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 Multifamily 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:

01-003-S	Old Grove Apartments	56	
		First Mortgage:	$ 770,000
		Loan-to-Lender:	$5,210,000

Resolution 01-10
Page 2

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifdy Programs of the Agency is hereby authorized to the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) and modify the interest rate charged on the ban-to-Lender loan based upon the then cost of funds 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. "Materialmodifications" 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 Multifdy 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 01-10 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Sacramento, California.

ATTEST:______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Riverwood Grove
CHFA

SUMMARY

This is a commitment request for a loan funding to Wells Bank, under the California Housing Finance Agency ("CHFA" or "Agency") Loan to Lender Program, in the amount of Eight Mdhon Nine Hundred Eighty Five Thousand Dollars and; a first mortgage permanent (takesut) loan in the amount of Four Mdhon Five Hundred Thousand Dollars ($4,500,000). The permanent loan will be h d e d from repayment proceeds of the construction loan. The 4.2% Loan to Lender interest rate is subject to c h g e prior to issuance of bonds. The subject property will consist of (new construction) seventy-one (71), family apartment units, with common area amenities; located along the south side of Tasman Drive, east of Lick Mill Boulevard, in the City of Santa Clara, Santa Clara County. The borrowing entity will be Riverwood Grove Associates, L.P., a California limited partnershp

LOAN TERMS

to Lender	
Interest Rate	**4.2%**
Term	Two years
Financing	Tax-Exempt
First Mortgage Loan .	**$ 4,500,000**
Interest Rate	**5.7%**
Term	30 year fixed, fully amortized
Financing	Tax-Exempt

LOCALITY OTHER INVOLVEMENT

The Redevelopment Agency of the City of Santa Clara ("Santa Clara RDA" or "RDA") has entered into a Disposition and Development Agreement ("DDA") with the project sponsor to provide $3,860,000 of permanent financing.

The State of California Department of Housing and Community Development ("HCD), under its Multifdy Housing Program ("MHP") will provide $3,787,535 in permanent funding. An *mual* administrative fee calculated at 0.42% of the outstandmg principal loan balance is payable to HCD during the first thirty years of the loan.

The Board of Directors of the Federal Home Loan Bank of San Francisco has awarded an Affordable Housing Program ("AHP") subsidy and grant in the amounts of $426,000 and $5,000 respectively.

Equity funding shall be provided through the sale of low-income housing tax credits.

The Developer's financial obligations and regulatory constraints under the above-mentioned fundings and programs, and any other financial and regulatory constraints, shall be junior and subordmate to the California Housing Finance Agency's Regulatory Agreement and Deed of Trust.

MARKET

Market Overview

The market area is made up of the northeastern portion of the City of Sunnyvale, the City of Santa Clara, the western most part of Milpitas, and the northern portion of San Jose. The boundaries are: to the north- the San Francisco Bay; to the east – the Nimitz Freeway corridor; to the south – Steven Creek Boulevard and to the west – the Lawrence Expressway. According to the City of Santa Clara and the U.S. Census, the population of the City of Santa Clara is 102,895 and the total population of Santa Clara County is 1,736,722.

In 1999 there were approximately 974,000 jobs in Santa Clara County. The major industries being services, manufacturing and retail trade. Government is the fourth largest sector representing approximately 9% of the workfiorce. There are more than 500 manufacturing plants in Santa Clara. Leading group of product classes are electronic equipment, communication equipment, and fiberglass. Non-manufacturing employment is represented by the medical, tourism, education and the hospitality industry. It is estimated that the City and County of Santa Clara have an unemployment rate of approximately 1.6% compared to a June 2000 state unemployment rate of 5.2%

The average household size is 2.8 persons. Approximately 91% of the County population is under 65 years of age. Twenty-four percent is under age 24; and fifty-five percent are between the ages of 18 and 49. Fifty-two percent of the households earn less than $50,000 annually; with twenty-one percent under $25,000. Median household income is currently estimated to be $88,697.

Market Demand

The demand for housing assistance throughout the County of Santa Clara, in all bedroom sizes is extremely high. The Housing Authority of the County of Santa Clara, as of November 2000, had 6,926 registrants on its public housing program waiting list, and 27,827 on its Section 8 waiting list. Pursuant to the Association of Bay Area Governments ("ABAG") projections for Santa Clara County over the next twenty years, there will be a need for 56,942 additional units to meet population growth. This converts to 2,800 to 3,000 new units per year. As a condition of approval, the City of Santa Clara required that fifty percent *(50%)* of Rzvenvood Grove's living units be three and four bedroom units.

Housing Supply

The supply of housing in Santa Clara County is relatively limited. Although population and employment growth has stabilized, the primary reason for the restricted supply of housing is lack of available land. The affordable 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.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $2,285 for a one-bedroom unit; $2,865 for a two-bedroom unit; $3,300 for a three-bedroom unit; and $3,750 for a four-bedroom unit.

Projected rents for the subject range from $185 - $778 for a one-bedroom unit; $196 - $1,120 for a two-bedroom unit; $230 - $1,296 for a three-bedroom unit; and, $492 - $1,191 for a four-bedroom unit.

Rent Differentials (market Versus Restricted)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		$ 2,285		
20%	$ 185		$ 2,100	8%
35%	$ 327		$ 1,958	14%
50%	$ 778		$ 1,507	34%
Two Bedroom		$ 2,865		
20%	$ 196		$ 2,669	6%
35%	$ 383		$ 2,482	13%
50%	$ 924		$ 1,941	32%
60%	$ 1,120		$ 1,745	39%
Three Bedroom		$3,300		
20%	$ 230		$3,070	7%
35%	$ 443		$2,857	13%
50%	$ 1,070		$2,230	32%
60%	$1,296		$ 2,004	39%
Four Bedroom		$3,750		
35%	$ 492		$ 3,258	13%
40%	$ 939		$ 2,811	25%
50%	$ 1,191		$2,559	31%

PROJECT DESCRIPTION

Project Location

The subject site is located along the south side of Tasman Drive between Lafayette Street and Lick Mill Boulevard. Hzghway 237 borders the subject's neighborhood to the north, with the southern portion of the San Francisco Bay beyond. To the east, the area is bordered by the Guadalupe Rzver. To the west are the Montague Expressway and U. S. Hzghway 101. And to the south are the Lawrence Expressway and the City of Sunnyvale.

Development in the subject's surrounding area includes several golf courses, a City park an open area along the Guadalupe Rzver, the Marriott Great American Theme Park, several research and development industrial parks, shopping centers, restaurants and several multifdy developments and single family subdivisions.

The area is well served by public transportation. A light rail system runs du-ectly in fi-ont of the subject development in the middle of Tasman Drive. The Lick Mill light rad station is in close wallung proximity. This system connects with the CalTrain and Bay Area Rapid Transit ("BART") systems that serve the greater San Francisco Bay area.

Site

The subject site is located along the south side of T a m Drive between Lafayette Street and Lick Mill Boulevard. The site is irregularly shaped and contains approximately **117,058** square feet (***2.69*** acres). It is currently vacant. The fi-ontage along T a m Drive has been improved with sidewalks and gutters.

The subject site is portion of a larger parcel that has been legally separated into two components; the subject seventy-one **(71)** unit multi-family housing development, and a one hundred forty-eight **(148)** unit single residency efficiency development ("SRO) ,to be known as Rzvenvood Place, ***on*** the contiguous parcel to the east. Although Mzd-Peninsula Housing Coalition is the developer for both projects, they are being developed and operated as entirely separate projects on separate legal parcels. Each project will have its **own** on-site management, maintenance personnel and support gaff. Pedestrian and vehcular ingress/egress to Rzvenvood Place will be fiom Lick Mill Boulevard, with no du-ect access to the subject m u l t i f d y housing development. The property line shared by the two developments will be buffered with fencing, podium walls and landscaping.

The sites adjacent to the south *are* developed with s i n g l e - f d y residences. The sites adjacent to the west are developed with single-and m u l t i - f d y residential properties. To the southwest across Calle de Escuela is the Kathryn Hughes Elementary School. A neighborhood park with a community building, playground equipment, and tennis courts and **a** nature area along the Guadalupe Rzver are within wallung distance. To the northwest of the site, across Tasman Drive, are seven restaurants. Approximately one-half mile fiom the site is a neighborhood shopping center containing a supermarket, drug store and other commercial tenancies.

Improvements

Rzvenvood Grove will consist of five **(5)** two and three-story residential structures of wood frame and stucco construction. **All** bddmgs will have concrete tile roofs. The bddmgs will contain seventy-one **(71)** affordable family rental units as well as ***2,550*** **square** feet of community area. The residential unit **mix** consists of five **(5)** one bedroom-one bath flats; thirty- (30) two bedroom-one and one half bath townhouses; twelve ***(12)*** three bedroom-two bath townhouses; eighteen **(18)** three bedroom-two bath flats; and *six* ***(6)*** four bedroom-two bath townhouse units. On-site amenities will consist of the above-mentioned community room, management offices, maintenance facilities, laundry room, computer room, a tot lot and attractive landscaped areas. Residential on-site p a r h g will consist of fifty-four **(54)** swface, thirty-nine (39) tuck-under garages, and thirty-nine (39) semi-subterranean structured parking spaces. In addition, the site will contain a pedestrian pathway, for public usage, connecting Calle de Escuela and Tasman kve. This pathway, a requirement of the City of Santa Clara, will be used by residences of the neighboring community as a means of convenient access to shopping and the light rail system along Tasman kve. The pathway, whch will be located along the western property boundary, will be well lighted and fenced from the housing.

OCCUPANCY RESTRICTIONS

CHFA	20% of the units (15) will be restricted at 50% or less of AMI.
Santa Clara RDA	100% of the units (71) will be restricted at 60% or less of AMI
HCD - MHP	10% of the units (7) will be restricted at 20% or less of SMI 20% of the units (14) will be restricted at 35% or less of AMI 4% of the units will (3) will be restricted at 40% or less of AMI 30% of the units (21) will be restricted at 50% or less of AMI 36% of the units (25) will be restricted at 60% or less of AMI
CTAC	100% of the units (71) will be restricted at 60% or less of AMI

ENVIRONMENTAL

Ceres Associates conducted a Phase I Environmental Site Assessment in January 2000. According to its findings, from at least 1939 to 1977 the property was agricultural in use. From 1977 to approximately 1989 the site was developed as a portion of a golf course. From 1989 to approximately 1999, the property was a portion of an abandoned golf course. From 1999 to the time of Ceres' assessment, the property was separated by a pathway into two fenced areas containing a portion of the abandoned golf course.

The Ceres assessment revealed no evidence of recowed environmental conditions in connection with the subject property. Additionally Ceres Associates did not observe indications of environmental concern of adjacent or nearby sites that would be thought to have an impact on the environmental quality of the property. However, because of previous agricultural uses of the property the Ceres report recommended collecting swface soil samples for analysis of pesticides and herbicides.

In March 2000 Ceres Associates conducted a near-surface soil sampling, whch were submitted for laboratory analysis. In April 2000 Ceres issued a report stating, that in areas where DDE was detected, concentrations were far below the maximum contaminant levels allowed by the State of

California Environmental Protection Agency ("Cal-EPA"), the governing body. The report concludes that further assessment was not necessary at that time.

A satisfactory and current environmental site assessment shall be required prior to Agency loan funding.

ARTICLE XXXIV

The Redevelopment Agency of the City of Santa Clara has stated that Article XXXIV authority exists for the Riverwood Grove development through passage, in November 1988 of Measure M by the voters of Santa Clara County. Measure M provided authority for the development of just fewer than 540 units per year of rental housing for low-income individuals and families, with carry-over of unused unit allocation into subsequent years.

A satisfactory opinion letter will be required prior to permanent loan funding

DEVELOPMENT TEAM

Borrower's Profile

Riverwood Grove Associates, L.P

Riverwood Grove Associates, L.P., a California limited partnershp was organized in December 2000 to develop and operate Riverwood Grove Apartments. Its managing general partner is MP Santa Clara, Inc. ("MPSC") a, wholly owned affiliate of Mzd-Peninsula Housing Coalition ("M-PHC"). MPSC has applied for a nonprofit status – approval is pending. A tax credlt equity investor has not yet been identified.

Contractor

J. R Roberts Corp

J. R. Roberts Gorp ("JRRC") was founded in 1980 by partners Robert Hall, Jr., Robert Olsen and James Redly. Since its inception, JRRC has completed projects of varying size and complexity; ranging fi-om churches and opera houses to museums, retail centers, hospitals, prisons, schools, naval and air force facilities, office buildings, libraries, apartments, hydroelectric plants, pipelines, and high-tech computer surveillance facilities. The J. R. Roberts Corp has grown from occupymg a small one-room office to its new *26,000* square foot multi-story office bddmg in Sacramento California.

Architect

Berger / Detmer Architects, Inc.

Berger / Detmer Architects, Inc. is a full service'multi-specialist architectural firm dedicated to professional service, technical expertise and artistic excellence. The firm has designed a wide variety of projects including hotels and resorts, multi-family residential and custom homes, restaurants, retail, schools and historic renovations. Berger / Detmer Architects, Inc. has won many prestigious awards including two Progressive Architecture Design Awards, two Gold Nugget Awards, and the California Preservation Society Restoration Award. The firm's projects have been published in Architectural Record, the AIA Journal, Progressive Architecture, Home Magazine, Metropolitan Home, Focus Magazine, Fine Homebuilding, Sunset Magazine, Developments, Restaurant Business and Pacific/Suncoast Architect.

Management Agent

Mid-Peninsula Housing Management Corporation

Mid-Peninsula Housing Management Corporation is the management agent for all Mid-Peninsula Housing Coalition developments as well as a third-party contract management agent for several non-profit development sponsors in the Bay Area. M-PHMC currently manages approximately sixty developments for M-PHC containing over 4,500 units.

Project Summary — Riverwood Grove

Loan to Lender — Date: **20-Feb-01**

910

Project Profile:

Project: Riverwood Grove	*Appraiser:* **Randy Elston**	*Units*	71
Location: 2150 Tasman Drive	Pacific Real **Estate Appraisal**	*Handicap Units*	14
Santa Clara	*Cap Rate:* 8.00%	*Bldg. Type*	New Const
ounty/Zip: Santa Clara **95054**	*Market:* $ **19,000,000**	*Buildings*	5
Borrower: Riverwood Grove. Assoc, LP	*Income.* $ 20,000,000	*Stories*	263
GP: **MP Santa Clara Inc.**	*Final Value* $ **19,500,000**	*Gross Sq Ft*	107,092
LP: TBD		*Land Sq Ft*	114,770
		Units/Acre	27
Tax Exempt	*Loan/Cost*	*Total Parking*	132
CHFA :01	23.1%	*Covered Parking*	0

Financing Summary:

	Amount	Per unit	Kate	Term
CHFA First Mortgage	$ 4,500,000	$ 62,500	5.7%	30
HCD-MHP	$ 3,787,535	$ 52,605	0.42%	55
C i Loan Santa Clara		53,611		
AHP Grant	S	69	0.00%	
AHP Funds		5,917	0.00%	
Cash Contribution				
Deferred Developer Fees	$ 26.670	$ 370		
Tax Credit Equity	$ 4,596,417	$ 63,839		
CHFA Loan to Lender	S 8,985,000	$ 124.792	4.20%	2
CHFA Bridge	$	$	0.00%	
CHFA HAT	$	$	0.00%	

Unit Mix:

Type	Size	Number	AMI / SMI	Rent	Max Income
1 BR	547	1	20%	$185	$13,920
2 BR	1072	3	20%	$196	$15,660
3 BR	1,125	3	20%	$230	$17,400
1 BR	642	1	35%	$327	$24,360
2 BR	1,072	6	35%	$383	$27,405
3 BR	1,125	6	35%	$443	$30,450
4 BR	1,404	1	35%	$492	$32,883
4 BR	1,404	3	40%	$939	$37,580
1 BR	880	3	50%	$778	$34,800
2 BR	1,072	11	50%	$924	$39,150
3 BR	1,206	12	50%	$1,070	$43,500
4 BR	1,404	2	50%	$1,191	$46,975
2 BR	1,072	9	60%	$1,120	$46,980
3 BR	1,125	9	60%	$1,296	$52,200
2 BR	1,072	1	Manager	$1,173	open
		71			

Fees, Escrows and Reserves:

Fees, Escrows & Reserves	Basis of Requirements		Amount	security
Commitment / Bank Bridge Fee	1.00%	of Loan Amount	$89,850	Cash
Finance Fee	1.00%	of Loan Amount	$45,000	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$45,000	Letter of Credit
Rent Up Reserve	10%	of Gross Income	$73,694	Letter of Credit
Operating Expense Resewe	10%	of Gross Income	$73,694	Letter of Credit
Marketing Reserve	10%	of Gross Income	573,694	Letter of Credit
Initial Replacement Reserve	$0	per Unit	$0	Cash
Annual Replacement Reserve	$400	per Unit	$28,400	Operations
Construction Defects Agreement	2.5%	Const Costs/12 months	$191,819	Letter of Credit

Sources and Uses — Riverwood Grove

SOURCES:

Name of Lender/ Source	Amount	$ per unit
CHFA First Mortgage	4,500,000	62,500
CHFA HAT	0	0
HCD-MHP	3,787,535	52,605
City Loan- Santa Clara	3,860,000	53,611
AHP Sponsor Grant	5000	69
AHP Funds	426,000	5,917
Total institutional Financing	12,578,535	174,702
Equity Financing		
Borrowers Cash Contribution	0	*0*
Deferred Developer Fees	26,670	
Tax Credit Equity	4,596,417	63,839
Total Equity Financing	4,623,087	64,210
TOTAL SOURCES	17,201,622	238,911

USES:

Acquisition	4,714,800	65,483
Rehabilitation	0	0
New Construction	8,755,000	121,597
Architectual Fees	360,000	5,000
Survey and Engineering	20,000	278
Const. Loan Interest & Fees	867,104	12,043
Permanent Financing Fees	144,850	2,012
Legal Fees	20,000	278
Reserves	221,083	3,071
Contract Costs	13,000	181
Construction Contingencies	479,325	6,657
Local Fees	376,102	5,224
TCAC/Other Costs	640,358	8,894
PROJECT COSTS	16,611,622	230,717
Developer Fee	555,000	7,708
Consultant/Processing Agent	35,000	486
Project Administration	0	
Other	0	0
TOTAL USES	17,201,622	238,911

Annual Operating Budget Riverwood Grove

		$ per unit
INCOME:		
Total Rental Income	728,304	10,115
Laundry	8,640	120
Other Income	0	-
Commercial/Retail	0	
Gross Potential Income (GPI)	736,944	10,235
Less:		
vacancy Loss	36,847	512
Total Net Revenue	700,097	9,724
EXPENSES:		
Payroll	90,796	1,261
Administrative	75,505	1,049
Utilities	25,608	356
Operating and Maintenance	84,664	1,176
Insurance and Business Taxes	24,931	346
Taxes and *Assessments*	15,000	208
Reserve for Replacement Deposits	28,400	394
Subtotal Operating Expenses	344,904	4,790
Financial Expenses		
Mortgage Payments (1st loan)	313.416	4,353
Total Financial	313,416	4353
Total Project Expenses	658,320	9,143

Cash Flow **Riverwood Grove** **CHFA #** **01-004-N**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year5	Year6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	2.50%	2.50%	250%	250%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	728,304	746,512	765,174	704,304	803,911	824,009	844,609	865,725	887,368	909,552
TOTAL RENTAL INCOME	728,304	746,512	765,174	784,304	803,911	824,009	844,609	865,725	887,368	909,552
OTHER INCOME										
Other Income Incmase	250%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	8,640	8,856	9,077	9,304	9,537	9,775	10,020	10.270	10,527	10.790
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	8,640	8,856	9,077	9,304	9,537	9,775	10,020	10,270	10,527	10,790
GROSS INCOME	736,944	755,368	774,252	793,608	813,448	833,785	854,629	875,995	897,895	920,342
Vacancy Rate				5.00%	5.00%		5.00%			
Rate I				5.00%	5.00%			5.00%	5.00%	
Less: vacancy LOSS	36,847	37,768	38,713	39,680	40,672	41,689	42,731	43.800	44.895	46.017
EFFECTIVE GROSS INCOME	700,097	717,599	735,539	753,928	772,776	792,095	811,898	832,195	853,000	874,325
OPERATING EXPENSES					5					10
Annual *Expense Increase*	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	301,504	313,564	326.107	339,151	352,717	366.826	381,499	396,758	412.629	429,134
Replacement **Reserve**	28,400	28.400	28,400	28.400	29,820	29.820	29,820	29,820	29,820	31,311
Annual Tax *Increase*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m
Taxes and Assessments	15,000	15.300	15,606	15.918	16.236	16,561	16.892	17.230	17.575	17.926
TOTAL EXPENSES	344,904	357,264	370,113	383,469	398,773	413,207	428,211	443,809	460,024	470,371
NET OPERATING INCOME	355,193	360,335	385,427	370,459	374,003	378,889	383,687	388,386	392,976	395,954
DEBT SERVICE										
HCD-MHP	15,908	15908	15908	15908	15908	15908	15908	15908	15908	15908
CHFA- **1st** Mortgage	313,416	313.416	313.416	313,416	313,416	313,410	313,416	313.416	313,416	313.416
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan	0	0	0	0	0					
CASH FLOW after debt **servic**	25,869	31,011	36,102	41,135	44,678	49,564	54,362	74,970	79,560	82,537
DEBT COVERAGE **RATIO**	1.13	1.15	1.17	1.18	1.19	1.21	1.22	124	1.25	1.26

Cash Flow

RENTAL INCOME	Ysar 11	Year 12	Ysar 13	Year 14	Year 15	Year 16	Year 17	18	Year 19	Year
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	***2.50%***	*2.50%*	*2.50%*	*2.50%*
Market Rents	*0*	0	0	*0*	*0*	0	*0*	*0*	*0*	*0*
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	***2.50%***	*2.50%*	*2.50%*	*2.50%*	***2.50%***	*2.50%*	*2.50%*
Affordable Rents	932,291	955,598	979,488	1,003,975	1,029,074	1,054,801	1,081,171	1,108,201	1,135,906	1,164,303
TOTAL RENTAL INCOME	932,291	955,598	979,488	1,003,975	1,029,075	1,054,001	1,081,171	1,108,201	1,135,906	1,164,303
OTHER INCOME										
Other ***Income Increase***	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	11,060	11,336	11,620	11,910	12,208	12,513	12,826	13,147	13,475	13.812
Other **Income**	0	0	*0*	*0*	*0*	*0*	0	*0*	0	0
TOTAL OTHER INCOME		11,336			12,208	12,513		13,147	13,475	13,812
GROSS INCOME		966,934		1,015,885	1,041,283			1,121,347		
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	47,168	48.347	49,555	50,794	52,064	53.366	54,700	56,067	57.469	58,906
EFFECTIVE GROSS INCOME	096,183	918,588	941,552	965,091	989,218	1,013,949	1,039,298	1,065,280	1,091,912	1,119,210
OPERATING EXPENSES					15					20
Annual Expense Increase	*4.00%*	*4.00%*	*400%*	*4.00%*	*4.00%*	*400%*	*4.00%*	*400%*	*4.00%*	*4.00%*
Expenses	446,299	464,151	482,717	502,026	522,107	542,991	564.711	587,299	610,791	635.223
Replacement Reserve	31.311	31.311	31,311	31,311	32,877	32,877	32,877	32,877	32,877	34.520
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	18,285	18,651	19,024	19,404	19,792	20,188	20,592	21,004	21,424	21.852
TOTAL EXPENSES	495,895	514,113	533,052	552,741	574,776	596,056	618,179	641,180	665,092	691,596
NET OPERATING INCOME	400,288	404,475	408,500	412,350	414,443	417,893	421,118	424,100	426,820	427,614
DEBT SERVICE										
HCO-MHP	15908	15908	15908	15908	15908	15908	15908	15908	15908	15908
CHFA - **1st** Mortgage	313,416	313,416	313,416	313,416	313,416	313,416	313,416	313.416	313.416	313,416
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after **debt servic**	86,872	91,059	95,084	98,934	101,026	104,477	101,702	110,684	113,404	114,198
DEBT COVERAGE **RATIO**	1.28	1.29	1.30	1.32	1.32	1.33	1.34	1.35	1.36	1.36

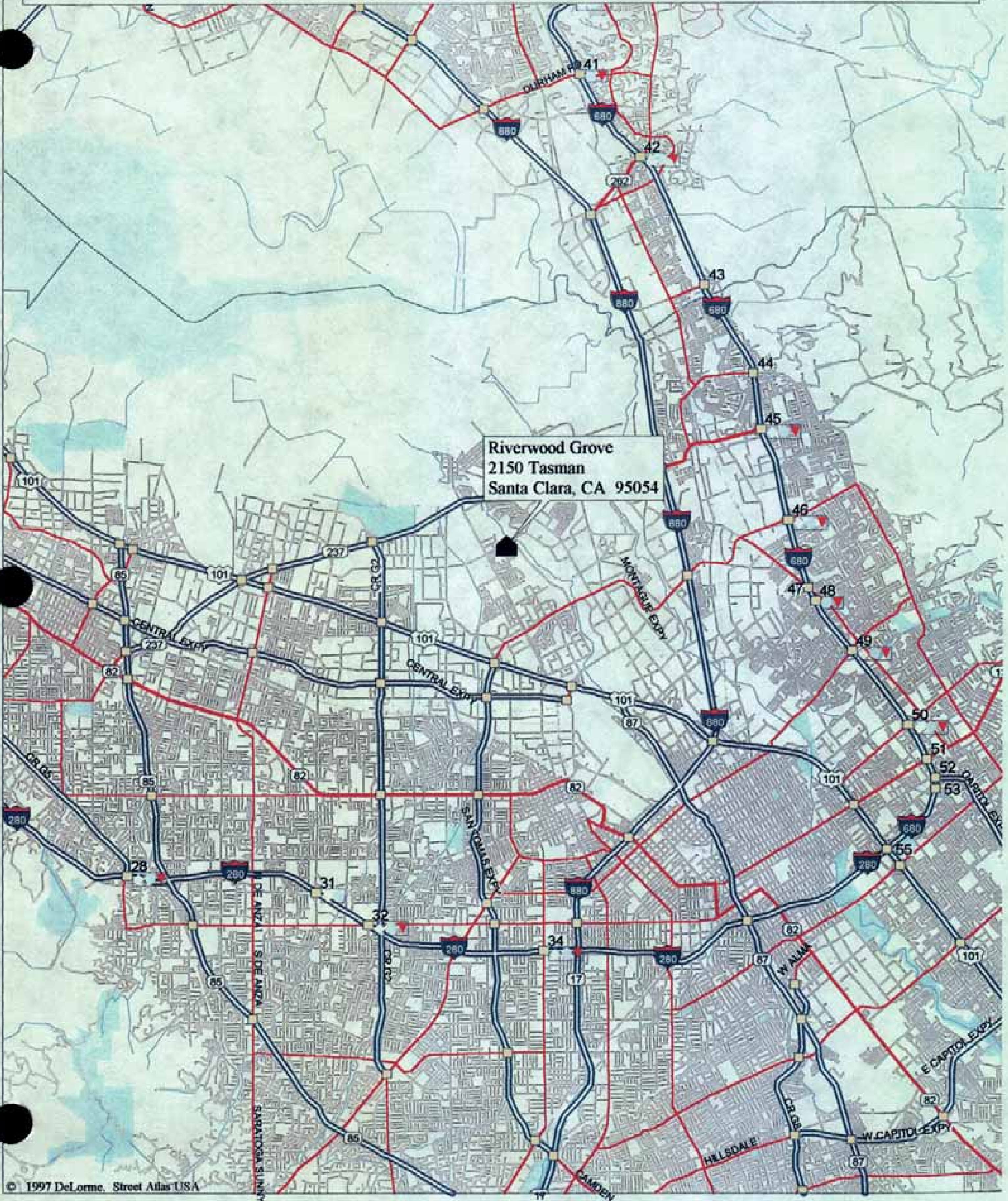
914

915

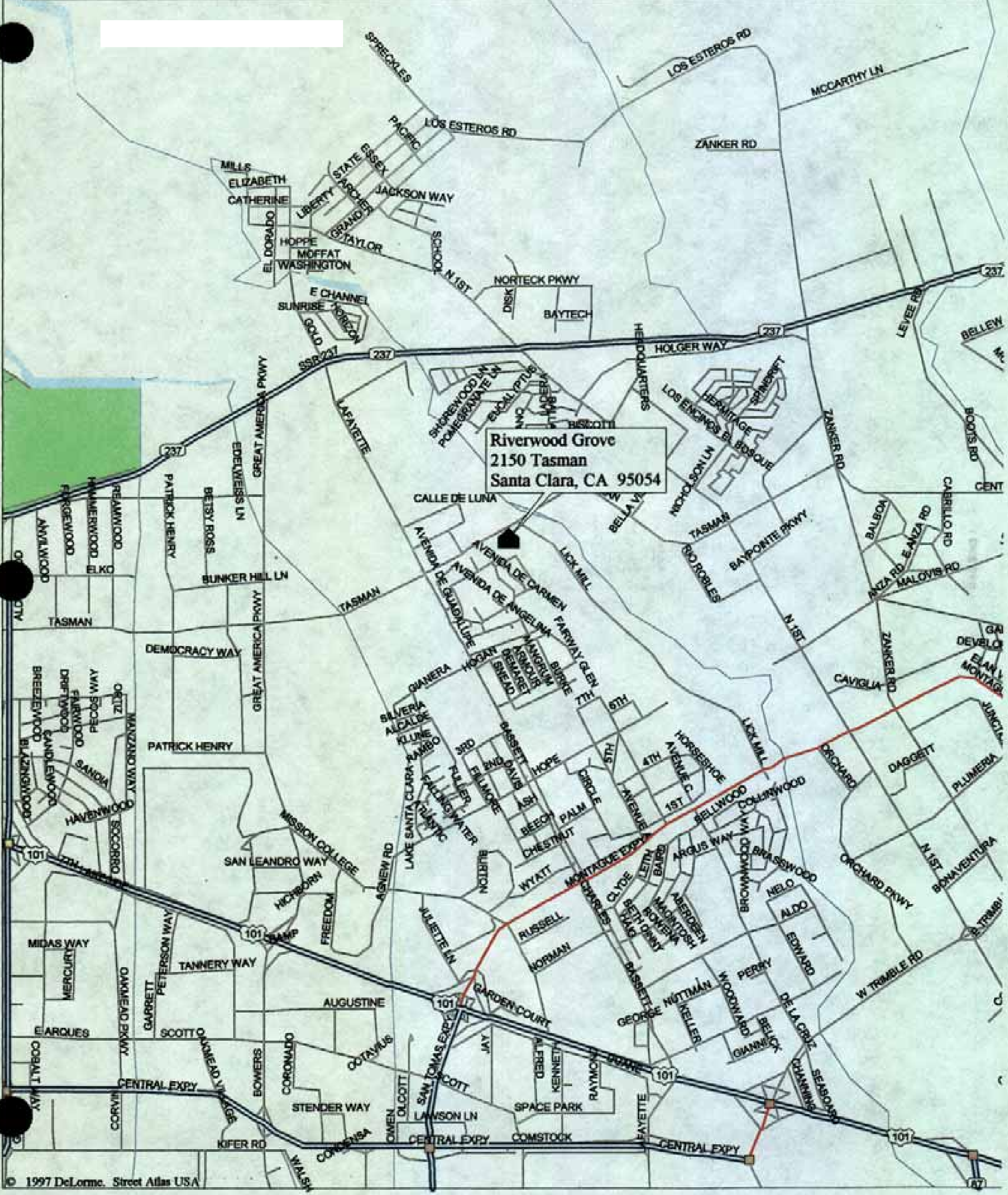
Cash Flow

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	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,193,411	1,223,246	1,253,827	1,285,173	1,317,302	1,350,235	1,383,991	1,418,591	1,454,055	1,490,407
TOTAL RENTAL INCOME	1,193,411	1,223,246	1,253,827	1,285,173	1,317,302	1,350,235	1,383,991	1,418,591	1,454,055	1,490,407
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	14,158	14.512	14.874	15,246	15,627	16,018	16,419	16.829	17.250	17,681
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	14,158	14,512	14,874	15,246	15,627	16,018	16,419	16,829	17,250	17,681
GROSS INCOME	1,207,569	1,237,758	1,268,702	1,300,419	1,332,930	1,366,253	1,400,409	1,435,420	1,471,305	1,508,088
Vacancy Rate :		5.00%		5.00%						
Vacancy :Affordable			5.00%					5.00%		
Less: Vacancy Loss	60,378	61,888	63,435	65,021	66,646	68,313	70,020	71,771	73,565	75,404
EFFECWE GROSS INCOME	1,147,190	1,175,870	1,205,267	1,235,398	1,266,283	1,297,940	1,330,389	1,363,649	1,397,740	1,432,683
OPERATING EXPENSES					25					30
Annual Expense Increase	4.00%	4.00%	400%	4.00%	4.00%	4.00%	4.00%	4.00%	400%	4.00%
Expenses	660,632	687.057	714,540	143,121	772,846	803,760	835,910	869,347	904,121	940.285
Replacement Reserve	34.520	34.520	34,520	34.520	36,246	36.246	36,246	36,246	36,248	38,059
Annual *Tax*		2.00%	2.00%			2.00%				2.00%
Taxes and Assessments	22,289		23.w)		24,127	24,609	25,101		26.1 15	26,638
TOTAL EXPENSES	717,442	744,313	772,250	801,295			897,258	931,196		1,004,982
NET OPERATING INCOME	429,749	431,557	433,017	434,103	433,064	433,325	433,131	432,452	431,257	427,702
DEBT SERVICE										
		15908	15908	1	15908		1		1	15908
CHFA 1st Mortgage	313,416	313,416	313,418	313,416	313.416	313.416	313,416	313,416		313,416
CHFA Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt servic	116,332	158,141	119.601	120,687	119,648	119,909	119,715	119,036	117,841	114,285
DEBT COVERAGE RATIO	1.37	1.38	1.38	1.39	1.38	1.38	1.38	1.38	1.38	1.36

Riverwood Grove



Riverwood Grove 918



RESOLUTION 01-11

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

received a loan application from Riverwood Grove Associates, L.P., a California limited partnership, c/o Mid-Peninsula Housing Coalition (the "Borrower"), seeking a loan commitment under the Agencyls Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage mounts described herein, the proceeds of which are to be used to

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 February 20, 2001, 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 Multifdy 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 *Sfaff Report*, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	LOAN MOUNT
01-004-N	Rivenvood Grove Apartments Santa Clara/Santa Clara	71	
		First Mortgage:	**$4,500,000**
		Loan-to-Lender:	$8,985,000

Resolution **01-11**
Page **2**

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifdy 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%)** and modify the interest-rate charged on the ban-to-Lender loan based upon the then cost of funds 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 Multifdy 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 **01-11 adopted** at a duly constituted meeting of the Board of the Agency held on **March 8, 2001,** at Sacramento. California.

ATTEST:________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Monticelli Apartments
CHFA Ln.

SUMMARY

This is a Final Commitment request for a loan funding to Union Bank, under the California Housing Finance Agency ("CHFA" or "Agency") Loan *to* Lender Prcgram, in the amount of $5,735,000 for two years at 4.20%. After two years the loan will be paid down and CHFA will finance a permanent loan in the amount of $2,990,000 for thirty years at 5.70%. The 4.20% Loan to Lender interest rate is subject to change prior to the issuance of bonds. The project is Monticelli Apartments, a proposed 52-unit family and senior apartment project located at Monticelli Dnve and Padova Dnve, Gilroy, in Santa Clara County.

LOAN TERMS :

Loan to Lender:	$5,735,000
Interest Rate:	4.20%
Term:	Two Years
Financing:	Tax-Exempt
First Mortgage:	$2,990,000
Interest Rate:	5.70%
Term:	Thirty-Year Fixed, Fully Amortized
Financing:	Tax-Exempt

LOCALITY INVOLVEMENT:

There is no locality involvement, but other financing has. been obtained: Housing and Community Development is providmg a $2,55 1,233 loan under the Multifamily Housing

Program ("MHP") at 3% for **55** years. SAMCO is providmg an AHP loan of **$390,000** that will be forgiven by the financial institution. The Enterprise Foundation is providmg a grant in the amount of $50,000.

MARKET :

A. Market Overview:

. Santa Clara County, is located south of the San Francisco Bay and covers 1,300 square miles. San Jose, the state's third largest city is located approximately forty miles north of Gdroy. Gilroy is situated in the Santa Clara Valley, twenty-five miles inland fiom the Pacific Ocean and surrounded by lush rolling hills.

Accordmg to the market study prepared *on* the project, the primary market **area** (the "Market Area") for the City of Gilroy is the Santa Clara County line to the south and west, and five miles to the north and east. With the high home prices and rents in the Silicon Valley, many people are moving to the south, as close as Morgan Hzll and as far as Los Banos, to escape the high cost of living.

The largest industry in the City of Gilroy is the service industry that functions as a regional shopping hub. The factory outlet center, with **150** stores is a major employer. Gdroy has consciously moved towards becoming a tourist destination. The Gilroy Visitors Bureau was created in 1984 **as** part of a long range plan to promote the community. The "Gilroy Garlic Festival" whch is held each July attracts over **135,000** visitors annually.

B. Market ———

The population in the Market Area is currently **40,125** (14,147 households) persons and is expected to continue to increase an average of 1.3% a year. The number of households is expected to increase by **1.5%** to **14,563** in 2001. Currently there *are* 5,574 renters (39.4%) in the Market Area. Of the 39.4% of renter households, the City of Gilroy has 82.5% of the total renters in the Market Area. Of the 82.5% of renters in the City of Gilroy, 32.0% are seniors over ***65.*** The senior population (ages 65 and over), while only **10%** of the **total** population is expected to increase an estimated 2.2% a year. There is a need for an additional **107** senior Section 8 units and **an** additional **274** multi-family units in the Market Area.

The current median income in the Market **Area** is estimated at $65,125. The estimated senior median income in the Market Area is **$38,597, 59.2%** below the general household income in the Market Area. 32.2% of the renter households have incomes less than $20,000 and this is creating a shortage of affordable housing for Market Area households as households fiom the Silicon Valley move into the Market Area. The households from the San Jose area have **hgher** median income levels whch increases the median income of the area and in turn, rent and home prices increase, making it dlfficult for residents with moderate and low incomes to continue to afford living in the area. Rents at market rate projects have increased on average **15%-20%** between the date the market study **was** completed in April, **2000** through February, 2001. According to one property manager, tenants living in Gilroy are moving to Salinas for affordable market rate rental housing.

C. Housing Supply

There *are* a total of **11,558** housing units in the City of Gilroy. Almost **¾** of the housing **stock (72.6%** or **8,391** units) was constructed between **1970** and **1990 and** another 9.0% was built before the **1940's.** There is one proposed senior development in the City of Gilroy, Village Green, with a total of a **112** affordable units; 75-units are apartments and **37** are cottage homes. This project received preliminary approval fi-om the Gilroy City Council in February, 2001.

The market study reviewed thirteen apartment projects with a total of **775** units in the 'Market Area. Two of the projects were senior market rate complexes, *six* were multi-family market rate complexes, three were multi-family LIHTC projects, one was a senior Section **8** and one was a multi-family Section **8.** In the March 2000 Field Survey, there were no vacancies in any of the complexes in the Market Area. The two market rate senior complexes provide similar amenities to the project except they have central air conditioning whereas the senior units in this project have wall units. The multi-fdy market rate units are comparable to the project, although most market rate family projects have a swimming pool as an amenity.

The multi-fdy market rate projects are older, the most recent construction dates from **1987** with the oldest comparable project constructed in **1968.** The construction on the senior market projects is more recent, both projects were constructed within a year of each other, in **1988** and **1989.** Among the affordable projects the construction was even more recent, generally between ***1995*** and **1997.** One senior Section **8,** Plum Tree West (in the CHFA loan portfolio) **was** constructed in **1978** and recently underwent a substantial rehabilitation. There are two affordable complexes in the Market *Area* considered competitive with the proposed project, Plum Tree West Apartments, a senior project and The Redwoods, a 24-unit LIHTC family project with **12,** three-bedroom units.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Mkt.Rate Avg.	Difference	Percent
One Bedroom		$975		
35%	$336		$639	34%
40%	$416		$559	43%
55%	$868		$107	89%
Three Bedroom		$1,580		
35%	$454		$1,126	29%
40%	$526		$1,054	33%
50%	$1,081		$499	68%
60%	$1,307		$273	83%

B. Lease-Up:

Based on an early and aggressive marketing plan proposed by the sponsor, it is estimated that the senior units will be fully leased in three months and the family units will be fully leased in **5** months.

PROJECT DESCRIPTION:

A. Site Design:

The Monticelli Apartments is a proposed 52-unit affordable project on a **3.5** acre irregularly shaped parcel to be divided into two separate parcels. One parcel will contain a 26 unit senior project the other will contain a 26 unit family project. A reciprocal use agreement will **be** entered into between the **two** parts of the project.

The project will have a total of 26 family, three bedroom/one bath units and 26 senior one-bedroodone bath units and a total of 89 parhg spaces, a combination of carports and open parhg spaces. The family units will be approximately **1,000 square** feet in size and complex will consist of six two-story apartments bddmgs of **4** to ***6*** units. The family units will have central heat and air conditioning. Additional amenities ***on*** the family site include a community center with laundry facilities, a computer center and an activity room. There will also be a basketball court, a tot lot and a community garden.

The senior units will **be** ***560*** square feet in size in eight, one-story bddmgs with 2 to **4** units each. The senior units will have front porches and wall air conditioning units. Other senior specific amenities include a separate activity building, a garden area and a laundry bddmg.

To the north of the project is the North Morey Channel. To the south is vacant land and single-fdy homes. To the east is the South Morey Channel and single-fdy homes and to the west is vacant land and single-fdyhomes. The closest hospital is two miles fi-om the site. Grocery shopping is one mile south of the site and the central shopping district of Old Gilroy is east of the grocery store. The local senior center is located less than two **miles** fi-om the project. The elementary, junior and high schools are located within 2 miles of the project.

B. Project Location:

The project is part of the Los Arroyos Master Planned Community in the City of Gilroy and it is located between Kern Avenue and Santa Teresa Boulevard across fi-om Tatum Avenue. The master planned community is owned by the general partner **and** will include single family homes, a 3-acre park, a day care center, housing for the disabled and the Monticelli Apartments.

OCCUPANCY RESTRICTIONS:

MHP:	23% of the units (12) will be restricted to **35%** or less of SMI.
	17% of the units (9) will be restricted to 40% or less of SMI.
	40% of the units (21) will be restricted to **55%** or less of AMI.
	19% of the units (10) will be restricted to or less of AMI
TCAC:	100% of the units **(52)** will be restricted to or less of AMI.
CHFA	20% of the units (1 1) will be restricted to ***50%*** or less of AMI.

EN 'IRONMENTAL:

The Agency received a Phase I – Environmental Assessment Report prepared by Kleinfelder dated September 27, 1996 for the entire subdwision. A specific Phase I for the subject property is currently being completed by Earth Systems California. Brett Faust with Earth Systems Northern California has given **us** a preliminary comment that the project has no adverse findings and we are waiting to receive a copy of the Phase I report.

ARTICLE 34:

A satisfactory opinion letter dated November 17, 2000 by the City of Gilroy, Community Development Department states that the Monticelli Apartment development received approval under Article through adoption by the voters of Gilroy and Santa Clara County of Measure A in November, 1988.

DEVELOPMENT TEAM:

A. Borrower's profile

The owner is Monticelli Housing Associates, LP. with South County Housing Corporation, Inc. as the general partner. South County Housing Corporation Inc., was founded in **1979** and has developed 11 affordable housing projects with a total of ***620*** units in California.

B. Contractor

Kent Construction is the general contractor for the project. The firm was formed in 1996 and specializes in commercial construction. They have constructed three affordable projects with a total of 102-unit and one 50-unit market rate apartment project.

C. Architect

TWM archtects & planners was founded in 1971 and is a full service design firm. They have been involved in the design and supervision of **7** projects with **a** total of 822 units.

D. Management Agent

South County Property Management, is an affiliate 501(c)(4) corporation of South Housing Corporation. South County Property Management was incorporated in 1995 and shares the same board of hectors as **South** County Housing Corporation. South County Property Management manages all 11 affordable projects and 14 other rental developments with **a** total of 897 units for South County Housing Corporation as well as **7** commercial properties.

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a.

Project Summary

929 to Lender Date: 20-Feb-01

Project Profile:

Project: Monticelli Apartments
Location: Monticelli Drive & Padova Dr.
Gilroy
County/Zip: Santa Clara,
Borrower: Monticelli Housing Associates
GP: Monticelli Housing Cap.
LP: TBD

Program: Tax Exempt
CHFAR: 01-006-N

Appmisec Ellen Byrne
Hanna & Associates
Cap Rate: 8.00%
Market Value $ 6,600,000
Land $ 1,560,000
Final Value: $ 6,600,000

LTC/LTV:
Loan/Cost 30.3%
Const./Value 86.9%
Perm./Value 45.3%

Project Description:

units	52
Handicap Unirs	2
Bldge Type	New Const.
Buildings	18
Stones	1 & 2
Gross Sq Fr	44.902
Land Sq Ft	153,867
Units/Acre	15
Total Parting	89
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$2,990,000	$57300	5.70%	30
CHFA Bridge	$0	$0	0.00%	
MHP/HCD	$2,55 1,233	$49.062	3.m	55
Enterprise Grant	$50,000	$962	0.00%	-
AHP	$390,000	$7,500	0.00%	
Borrower Contributions	$0	$0	0.00%	
Tax Credit Equity	$3,503,717	$67,379		
Deferred Developer Fee	$388,392	$7,469		
CHFA Loan to Lender	$5,735,000	$110.288	4.20%	2
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI/SMI	Rent	Max Income
1 BR	560	8	35%	$336	$21,613
1 BR	560	4	40%	$416	$24,700
1 BR	560	14	55%	$868	$33,963
3 BR	1000	4	35%	$454	$29,190
3 BR	1000	4	40%	$526	$33,360
3 BR	1000	7	55%	$1,081	$45,870
3 BR	1000	10	60%	$1,307	$50,040
3 BR	1000	1	Manager	$526	N/A
		52			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	security
Fee	1.00%		$57,350	Cash
Fee	1.00%	of Loan Amount		Cash
Bond Origination Guarantee		Amount	$57,350	Letter of credit
Rent Up Account	15.00%	of Gross Income	$75317	Letter of Credit
		of Gross Income	$50,144	Letter of credit
Marketing	0.00%	of Gross Income		Letter of Credit
Construction Security	2.50%	of Hard Costs	$126.8 17	Letter of Credit
Annual Replacement Reserve Deposit	0.60%	of Hard Costs	$30,436	Operations

Sources and Uses Monticelli Apartments

SOURCES:

Name of Lender/Source	Amount	$per unit
CHFA First Mortgage	2,990,000	57,500
CHFA Loanto Lender	0	0
CHFA HAT	0	0
MHP/HCD	2,551,233	49,062
Enterprise Grant	50,000	962
AHP	390,000	7,500
Total Institutional Financing	5,981,233	115,024
Equity Financing		
Tax Credits	3,503,717	67,379
Deferred Developer Equity	388,392	7,469
Total Equity Financing	3,892,109	74,848
TOTAL SOURCES	9,873,342	189,072

USES:

Acquisition	400,000	7,692
Rehabilitation	0	0
New Construction	5,698,000	109,577
Architectual Fees	223,753	4,303
Survey and Engineering	78,000	1,500
Const. Loan Interest & Fees	532,078	10,232
Permanent Financing	102,750	1,976
Legal Fees	32,500	625
Reserves	175,505	3,375
Contract Costs	14,000	269
Construction Contingency	292,400	5,623
Local Fees	100,000	1,923
TCAC/Other Costs	1,208,669	23,244
PROJECT COSTS	8,857,655	170,340
Developer Overhead/Profit	1,015,687	19,532
Consultant/Processing Agent	0	0
TOTAL USES	9,873,342	189,072

Annual Operating Budget Monticelli Apartments

931

INCOME:		$ per unit
Total Rental Income	497,700	9,571
Laundry	3,744	72
Other Income	0	-
	0	-
Gross Potential Income (GPI)	501,444	9,643
Less:		
Vacancy Loss	25,072	482
Total Net Revenue	476,372	9,161

EXPENSES:		
Payroll	73,960	1,422
Administrative	36,369	699
Utilities	42,160	811
Operating and Maintenance	32,680	628
Insurance and Business Taxes	18,047	347
Taxes and Assessments'	4,000	77
Reserve for Replacement Deposits	30,436	585
Subtotal Operating Expenses	237,652	4,570
Financial Expenses		
Mortgage Payments (1st loan)	208,248	4,005
Total Financial	208,248	4,005
Total Project Expenses	445,900	8,575

Cash Flow Monticelli Apartn CHFA # 01-006-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		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		497,700	510,143	522,896	535,968	549,368	563,102	577,179	591,609	606,399	621,559
TOTAL RENTAL INCOME		497,700	510,143	522,896	535,968	549,368	563,102	577,179	591,609	606,399	621,559
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		3,744	3,838	3,934	4,032	4,133	4,236	4,342	4,450	4,562	4,676
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL **OTHER** INCOME		3,744	3,838	3,934	4,032	4,133	4,236	4,342	4,450	4,562	4,676
GROSS INCOME		501,444	513,980	526,830	540,000	553,500	567,338	581,521	596,059	610,961	626,235
Vacancy Rate :Market		*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Vacancy Rate :Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*		*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		25,072	25,699	26,341	27,000	27,675		29,076	29.803	30,548	31,312
EFFECTIVE GROSS INCOME		476,372	488,281	500,488	513,000	525,825		552,445	566,256	580,413	594,923
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		203,216	211,344	219,798	228,590	237,734	247,243	257,133	267,418	278,115	289,239
Replacement Reserve		30,436	30,436	30,436	30,436	30,436	31,958	31,958	31,958	31,958	31,958
Annual* Tax *Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.60%*	*2.00%*
Taxes and Assessments		4,000	4,080	4,162	[illegible]	4,330	4,416	4,505	4,595	4,687	4,780
TOTAL EXPENSES		237,652			263,271			293,595		314,759	325,978
NET OPERATING INCOME								258,850			
DEBT SERVICE											
CHFA - **1st Mortgage**		208,248	208,248	208,248	208,248	208,248	208,248	208,248	208,248	208,248	208,248
CHFA - Bridge Loan				0	0	0					
MHP		10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715
CASH FLOW	**service**		34,173	37,845		45,078	47,106				
DEBT COVERAGE	mortgage	1.09	1.11	1.12	1.14	1.16	1.17			1.21	1.23

932

933

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	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Renf Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	637,098	653,026	669.351	686,085	703,237	720,818	738,838	757,309	776,242	795,648
TOTAL RENTAL INCOME	637,098	653,026	669,351	686,085	703,237	720,818	738,838	757,309	776,242	795,648
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	4,793	4,912	5,035	5,161	5,290	5,422	5,558	5,697	5,839	5,985
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	4,793	4,912	5,035	5,161	5,290	5,422	5,558	5,697	5,839	5,985
GROSS INCOME	641,891	657,938	674,386	691,246	708,527	726,240	744,396	763,006	782,082	801,634
VacancyRate :Market	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.m
Vacancy Rafe Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5 . m	5.00%
Less: Vacancy Loss	32,095	32,897	33,719	34,562	35,426	36,312	37,220	38,150	39,104	40,082
EFFECTIVE GROSS INCOME	609.796	625.041	640.667	656,684	613,101	689,928	707,177	724,856	742,971	761,552
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	300,809	312,841	325,355	338,369	351,904	365,980	380,619	395,844	411,678	428,145
Replacement Reserve	33,556	33,556	33,556	33,556	33,556	35,234	35,234	35,234	35,234	35,234
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m	2m	2 . m	2 .m	2.00%
Taxes and Assessments	4,876	4,973	5,073	5,174	5,278	5,383	5,491	5,601	5,713	5,827
TOTAL EXPENSES	339,241	351,371	363,984	377,099	390,738	406,597	421,344	436,679	452,624	469,206
NET OPERATING INCOME	270,555	273,670	276,683	279,584	282,363	283,331	285,833	288,177	290,353	292,346
DEBT SERVICE										
CHFA- **1st** Mortgage	208,248	208,248	208.248	208,248	208,248	208,248	208,248	208,248	208,248	208,248
CHFA- Bridge **Loan**										
MHP	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10.715	10,715
CASH FLOW after debt service	62,308	65,423	68,436	71,337	74,116	75,084	77,585	79,930	82,105	84,098
DEBT COVERAGE **RATIO (first mortgage** only)	1.24	1.25	1.26	1.28	1.29	1.29	1.31	1.32	1.33	1.34

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0	0	0	0	0	0
Rent Increase										
Affordable Rents	815,539	835,928	856,826	878247	900,203	922,708	945,776	969,420	993,656	1,018,497
TOTAL RENTAL INCOME	815,539	835,928	856,826	878,247	900,203	922,708	945,776	969,420	993,656	1,018,497
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	6,135	6,288	6,446	6.607	6,772	6,941	7,115	7,293	7,475	7,662
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	6,135	6,288	6,446	6,607	6,772	6,941	7,115	7,293	7,475	7,662
GROSS INCOME	821,674	842,216	863,272	884,853	906,975	929,649	952,890	976,713	1,001,130	1,026,159
Vacancy Rate: Market	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vacancy Rate Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5 . m	5.00%	5.00%	5.00%	5.00%
Less: Vacancy LOSS	41,084	42,111	43,164	44,243	45,349	46,482	47,645	48,836	50,057	51,308
EFFECTIVE GROSS INCOME	780,591	800,105	820,108	840,611	861,626	883,167	905,246	927,877	951,074	974,851
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%
Expenses	445,271	463,082	481,605	500,869	520,904	541,740	563,410	585,946	609,384	633.759
Replacement Reserve	36.995	36,995	36,995	36,995	36,995	38.845	38,845	38,845	38,845	38,845
Annual Tax *Increase*	2.00%	2 . m	2.00%	2.00%	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	5,944	6,063	6,184	6,308	6,434	6,562	6,694	6,828	6,964	7,103
TOTAL EXPENSES	488,210	506,140	524,784	544,172	564,333	587,147	608,948	631,619	655,193	679,708
NET OPERATING INCOME	292,381	293,966	295,324	296,439	297,293	296,019	296,298	296,258	295,881	295,143
DEBT SERVICE										
CHFA - 1st Mortgage	208,248	208,248	208,248	208,248	208,248	208,248	208,248	208,248	208,248	208,248
CHFA - Bridge Loan										
MHP	10,715	10,715	10,715	10,715	10,715	10.715	10,715	10,715	10.715	10.715
CASH FLOW after debt service	84,133	85,718	87,076	88,191	89,045	87,772	88,050	88,011	87,633	86,895
DEBT COVERAGE RATIO (first mortgage only)	1.34	1.34	1.35	1.35	1.36	1.35	1.35	1.35	1.35	1.35

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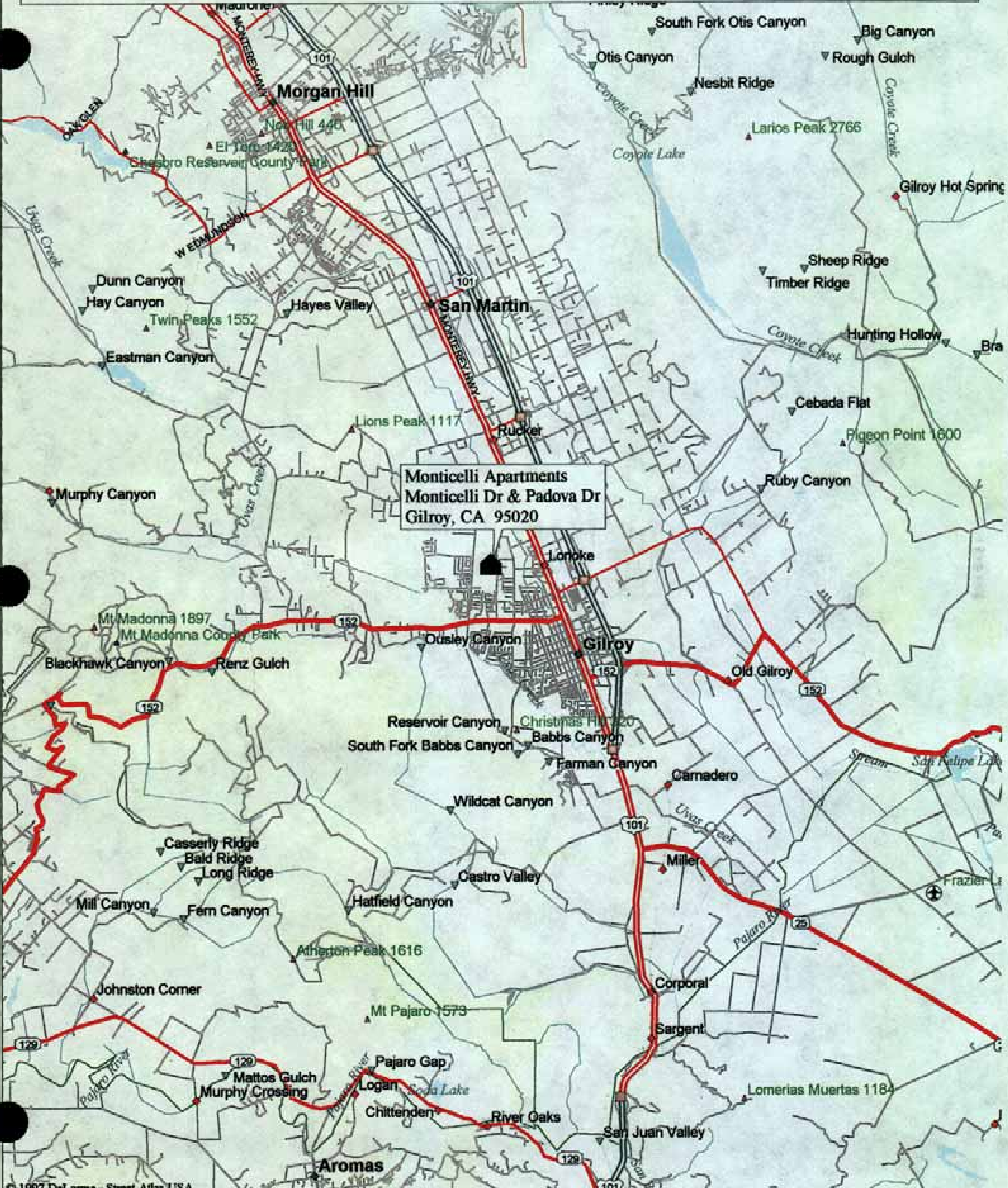
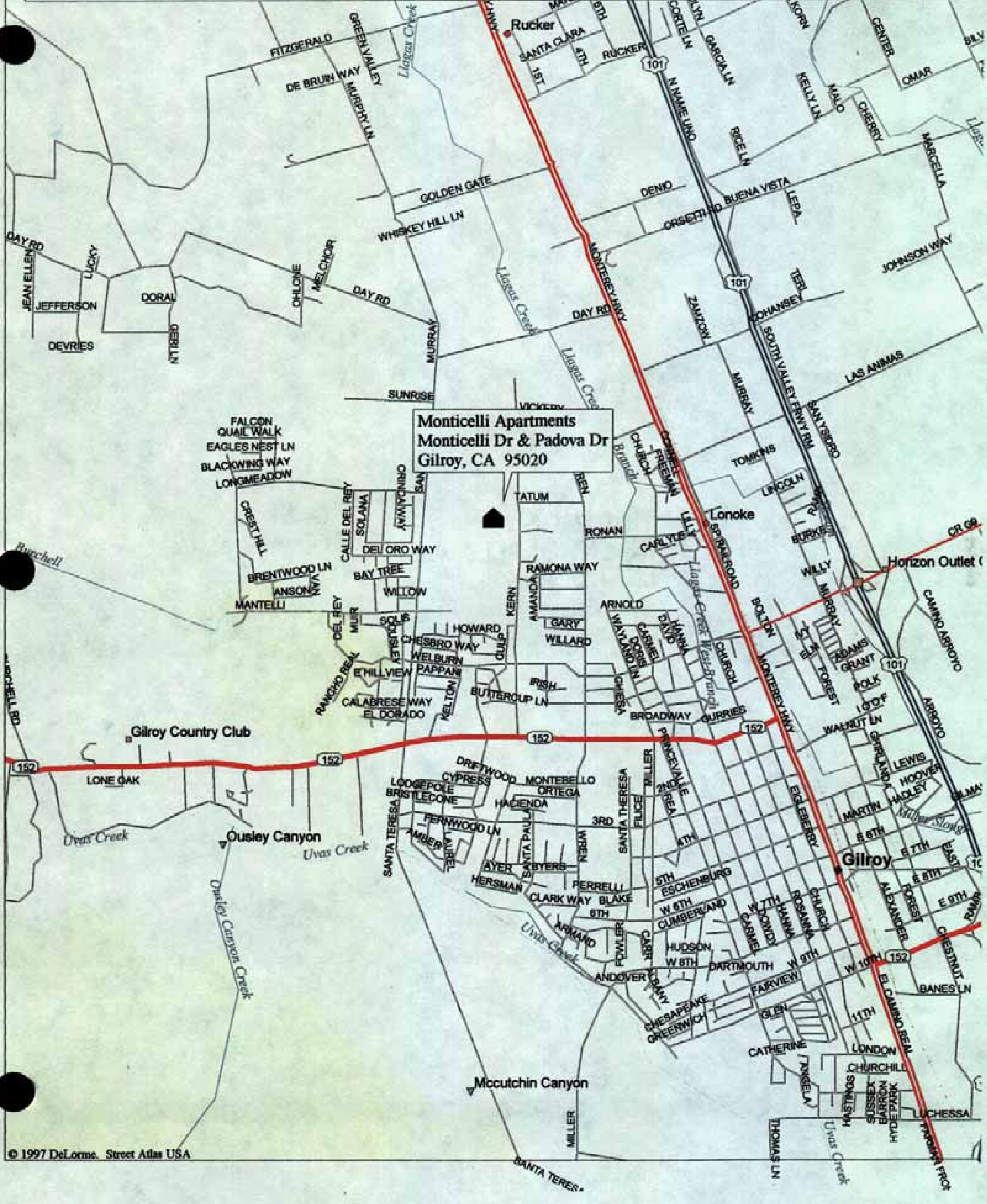
Monticelli Apartments

936



Monticelli Apartments 938



RESOLUTION 01-12

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Monticelli Housing Associates, L.P., c/o South County Housing Corporation, Inc. (the "Borrower"), seeking a loan commitment under the Agency's ban-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 52-unit multifamily housing development located in the City of Gilroy to be known as Monticelli Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 20, 2001 (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 February 20, 2001, 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 Multifamily 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	LOAN AMOUNT
01-006-N	Monticelli Apartments Gilroy/Santa Clara	52	
		First Mortgage:	**$2,990,000**
		Loan-to-Lender:	**$5,735,000**

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifdy 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%) and modifl the interest rate charged on the Loan-to-Lender loan based upon the then cost of funds 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 Multifdy 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 01-12 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Sacramento, California.

ATTEST:________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Skyline Village
CHFA #

SUMMARY

This is a final commitment q u e s t for **a** loan funding to Bank of America, under the California Housing Finance Agency or "Agency") Loan to Lender Program, in the amount of ***Six*** Million Eight Hundred Five Thousand Dollars and; a first permanent (take-out) loan in the amount of Two Million Seven Hundred Fifty Thousand Dollars The loan will be h d e d from repayment proceeds of the construction loan. The **4.2%** Loan to Lender interest rate is subject to change prior to issuance of bonds. The subject property will consist of seventy-three **(73)** new construction family apartment units with common area amenities; located at **1321-1339** W Maryland Street, **1324-1336** W Street, and Lucas Street, Los Angeles, Los Angeles County. The borrowing entity will be Skyline Village Limited Partnershp, a California limited partnershp.

LOAN TERMS

Loan to Lender	
Interest Rate	**4.2%**
Term	Two years
Financing	Tax Exempt
First Mortgage Loan	§ **2,750,000**
Interest Rate	**6.0%**
Term	**40** year fixed, fully amortized
Financing	Tax-Exempt

LOCALITY OTHER INVOLVEMENT

The Angeles Housing Department of the City of Angeles has committed 1 in and permanent funding. The loan will be funded with HOME Investment Partnershp Program ("HOME"), Community Development Block Grant ("CDBG), Section 108 and/or other non-federal sources. The term of the permanent loan shall be forty **(40)** years at **5%** simple interest. *As* repayment, LAHD shall receive fifty percent ***(50%)*** the project's residual receipts.

The State of California Department of Housing and Community Development under its Multifdy Housing Program will provide **$4,056,342** in permanent funding. An *mual* administrative fee calculated at **0.42%** of the outstandmg principal loan balance is payable to HCD.

Equity funding shall be provided through the sale of low-income housing tax credits.

The Developer's financial obligations and regulatory constraints under the above-mentioned fundings and programs, and any other financial and regulatory constraints, shall be junior and subordmate to the California Housing Finance Agency's Regulatory Agreement and Deed of Trust.

MARKET

Market Overview

The subject property is situated at the northeast comer of Maryland Street and Lucas Avenue. The subject property is in the Central City West District of the City of Los Angeles. The Central City West area is defined as being bordered by First Street to the north, the Harbor Freeway (1**10**) to the east, 8th Street to the south and Witmer Street to the east. This part of Los Angeles is on the west border of Downtown Los Angeles and is generally considered to be one of the communities that comprise Downtown Los Angeles.

The Westlake residential area borders Central City West to the west, Echo Park residential is the to the north, Bunker Hzll and the high rise office bddmg area of Downtown Los Angeles borders Central City West to the east and the Pico Union residential area is to the south.

Lucas and Bixel, whch **are** main north/south streets paralleling the 1-1**10** fi-eeway, afford easy access between **3rd** Street to Wilshire and south to Pico Union and the 1-10 freeway.

There are two elementary schools immediately adjacent to the site. The new Evelyn **Thurman** Gratts Elementary School is du-ectly across Lucas, while the other is du-ectly across ***4*** Street. The site has good fi-eeway proximity; and public transportation and neighborhood shopping are within wallung distance.

Market Demand

The population of the subject area was 73,627 in 1990 versus 78,303 in 1999, a 6.35 percent increase over the period. The population is projected to be 81,520 in 2004, a 4.1 1 percent increase. This population trend is comparable to what the City of Los Angels is experiencing. The median household income in the area in 1999 was $22,904 versus $38,532 for the City of Los Angeles and $42,953 for the County of Los Angeles. The percent of households with $25,000 or less in income for the subject area was 57.6 percent as compared to 31.5% for the City of Los Angeles and 26.6 percent for the County of Los Angeles.

The subject property is located within a portion of the Westlake Community Plan, a neighborhood revitalization area identified by the City of Los Angeles. This neighborhood is in transition fi-om a run-down area dominated by empty lots, vacant commercial buildings and ddapidated housing stack to a fast improving area of new film studios (east of Bixel) and pockets of rehabilitation and new development south to the 1-10 fi-eeway.

Housing Supply

This area suffered from increased vacancy and lowered rents in the early 1990s when this region suffered its worst economic recession in history. The economy in this area began to recover in the last three years and this economic recovery has gained momentum in the last two years.

Downtown Los Angeles has had renewed interest due to three major public construction projects. They include the recently opened Staples Center, whch is home for the Lakers basketball team, the Kings hockey team and the Clippers basketball team. This new development may attract a new entertainment retail project; a new convention center hotel and recently plans have been announced to further expand the convention center. The Disney Hall and the Catholic Cathedral are under construction approximately one mile northeast of the subject.

These new developments have resulted in renewed interest by developers in the Downtown Los Angeles area. The Downtown Los Angeles apartment market has been relatively strong for the last few years and this is expected to attract several new market rent apartments projects over the next few years.

New apartment construction remains very limited. The only new market rent apartment project under construction is 685 units approximately one mile south of the subject. Completion is expected m the next six months. The City of Los Angeles has recently approved preliminary plans for two apartment projects in the Bunker Hzll area that is south of the Civic Center area. These projects are expected to total approximately 1,000 units, but will probably not be completed for at least two years.

In the past three years over 1,000 subsidized housing units have been added to the Downtown Los Angeles area. Accordmg to a February 2001 survey of 899 restricted units by Cressner and Associates, Inc., vacancy in restricted housing developments in the area is virtually nonexistent.

Within a 1 - d eradius of the subject property, fifty-nine percent **(59%)** of the households earn less than **$25,000** annually.

I FEASIBILI

Market lute rents for comparable properties average **$804** for a one-bedroom unit; **$1,052** for a two-bedroom unit; **$1,125** for a three-bedroom unit; and **$1,192** for a four-bedroom unit.

Projected rents for the subject range from **$319 - $541** for a one-bedroom unit; **$382 - $649** for a two-bedroom unit; **$336 - $749** for a three-bedroom unit; and, **$368 - $828** for a four-bedroom unit.

Rent Differentials (Market versus Restricted)

	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		$804		
35%	$ 319		$485	40%
60%	$ 541		$ 263	67%
Two Bedroom		$ 1,052		
35%	$ 382		$ 670	36%
60%	$ 649		$ 403	62%
Three Bedroom		$ 1,125		
35%	$ 336		$ 789	30%
60%	$ 749		$ 376	67%
60%	$ 828		$364	69%

PROJECTDESCRIPTION

Project Location

Site

The site is an shaped parcel containing approximately 1.66acres, with frontage along three streets; 4th Street to the north; Maryland Street to the south; and Lucas to the west. The site down-slopesto the south.

The site is currently improved with twelve buildings containing 37 rental units. Currently one bddmg is consideredan unsafe structureand is boarded up. The remaining bddmgs are part of the area's agmg housing stock. The proposed development calls for relocation of existing tenants and demolition of the existing structures. Upon completion of the proposed development,there will be a net gain of 36 apartmentunits.

Improvements

The site will be improved with seventy-three units consisting of one, two, three and four-bedroom units. The bddmgs will consist of three-story construction with two-story townhouses over flats. The units will be contained within twelve bddmgs – each bddmg will house two to eight units. With the exception of five units at street grade off Maryland, all units wdl be situated on a concrete deck over a subterraneanparhg structure. Unit breakdown is ten (10) one-bedroom, one bath (flats); Twenty-two (22) two-bedroom, 1.5 bath (townhouses); Fourteen (14) two-bedroom 2.25 bath (townhouses); twelve (12) three-bedroom; 1.75 bath (flats); ten (10) three-bedroom, 1.75 bath (townhouses); one (1) three-bedroom, 2 bath (flat); and four (4) four-bedroom, 2 bath (townhouses). Each unit will be provided with full carpeting, microwave oven, range, refhgerator, dishwasher, heating and air conditioning, and either a private deck or patio.

At parhg level, facing Lucas, will be a 4,450 square foot community room and management offices. The community area will include a large meeting room, kitchen, storage room, a teen room, a TV room, two restrooms and laundry facilities. Common area amenities will include two outdoor play areas, a bar-bque area, bike storage, a fountain, and a half-court basketball area. Pedestrian access to the developmentwill be from all three streets, while vehicular ingress / egress will be from Maryland, and vehicular egress only from Lucas. On-site parhg wdl be for 101 vehicles

OCCUPANCY RESTRICTIONS

CHFA	*20%* of the units (15) will be at *50%* or less of AMI
LA-LAHD	10% of the units (8) will be restricted at *50%* or less of SMI. 90% of the units *(65)* will be restricted at 60% or less of AMI.
HCD - MHP	30% of the units (22) will be restricted at 35% or less of SMI *70%* of the units (51) will be restricted at 60% or less of AMI
TCAC	100% of the units will be restricted at 60% or less of AMI

ENVIRONMENTAL

A Phase I report prepared by California Environmental dated November 1999 revealed the following conhtions: presence of shallow oil/fuel contamination, probably fi-om outside sources; the presence of gasoline product beneath the western portion of the property, most hkely from an offsite source, and the presence of seven groundwater monitoring wells on the property.

A further update of sampling of soil and groundwater by California Environmental dated March 2000 indicated isolated products of shallow TPH impacted soil were onsite and the recommendation is to transfer offsite. The cumulative impact associated with the shallow zones is probably less than 25 cubic yards.

The environmental company recommended working in cooperation with the Regional Water Quality Control Board for remediation work to remove the gasoline product fi-om the site and abandonment of the existing onsite wells.

California Environmental prepared an environmental update matrix dated February 5,2001:

Environmental Issue	Action Taken	status
Shallow(< 10') hydrocarbon impacted soil	Impacted soil excavated and treated offsite; excavations backfilled	Agency (RWQCB) no further action pending

Environmental Issue	Action Taken	Status
TPH and metals in groundwater	All wells retested	No further action Action request submittal to RWQCB pending
Diesel product in MW 1	Product removal ongoing. Most of product removed.	Continue product removal

A lead based paint survey and asbestos assessment was conducted by JMR Environmental Services, Inc. dated November 12, 1999. Lead based paint and asbestos was found to be present and the firm recommended that an Operations and Maintenance Plan be implemented and followed until abatement activities are completed.

Satisfactory evidence of remediation of the existing environmental conditions in compliance with the law as well as a requirement for environmental insurance for the life of the CHFA loan and approval by CHFA of all other environmental issues or conditions will be conditions of the CHFA Final Commitment.

ARTICLE XXXIV

A satisfactory opinion letter will be required prior to permanent loan funding

DEVELOPMENT TEAM

Borrower's Profile

Skyline Village Limited Partnershp

Skyline Village Limited Partnershp, a California limited partnershp will develop, own and operate Skyline Village Apartments. The general partners will be Housing Corporation of America (managing general partner), and Thomas L. Safran, an unmarried man.

Housing Corporation of America ("HCA"), a 501(c)(3) nonprofit corporation was incorporated in 1988. Its mandate is to not only provide affordable housing, but to improve the communities wherein these projects are located and offer residents a sense of dignity and pride associated with an improved standard of living. HCA manages nearly 2,100 units of affordable housing in the states of California, Utah, Colorado, Missouri, and Tennessee.

Thomas L. Safian is sole proprietor of Thomas L. Safian and Associates ("TSA"), a Los Angeles based development organization. The company was established in 1974. Mr. Safran's firm specializes in both family and senior affordable housing developments. TSA has developed over 2,000 units of rental housing in California.

Contractor

Alpha Construction Company, Inc.

Alpha Construction Company, Inc., was incorporated under California law in 1965, and has, since that time, successfully produced millions of dollars of construction projects throughout Southern California. The principals, Irv Laxineta and Gerald Hart, have extensive years in the construction industry as general contractors, construction managers, architects and developers.

Architect

Withee Malcolm Partnershp

Established in 1977, the Withee Malcolm Partnershp has grown to become a leading architectural firm in the metropolitan Los Angeles area. Dan Withee and Dale Malcolm have developed an organization that consistently produces outstandmg architecture. This award-winning firm has been recowed for their design of numerous projects includmg residential, commercial, industrial, space planning, master planning, and mixed-use development. They have an excellent reputation in acquiring entitlements for projects considered difficult or impossible in terms of location or proposed use.

Management Agent

Brackenhoff Management Group, Inc.

The company founder, Kenneth Brackenhoff, established Brackenhoff Management Group, Inc., in July 1977. Mr. Brackenhoff has over twenty years experience in the affordable housing industry, where he has managed Section 8 assisted, tax credits, and conventional properties. Approaching its third year of operation BMG manages in excess of units for both nonprofit and for profit ownershp entities. Properties include Section 8, assisted, FHA insured, tax credit, CHFA, and conventional properties. The BMG principals and staff work closely with owners, city, state and federal government entities that *are* affiliated with the properties under management.

Project Summary

Loan to Lender Date: **20-Feb-01**

Project Profile:

Project : Skyline Village
Location: **1321-1339** Maryland St
Los Angeles
County/Zip: Los Angeles **90017**
Borrower: Skyline Village, LP.
GP: Hsg Corp of America / TS&A
LP: Union Bank 01 California

Taxexempt
CHFA

Appraiser: Theodore A Cressner, Jr.
Cressner & Associates. Inc.
Cap Rete: 8.50%
Market: $ **6,000,000**
Income: $ 6,000,000
Final Value $ **6,000,000**

LTC/LTV:
Loan/Cost 21
45.8%

Project Description:

Units	73
Handicap Units	4
Bldg. Type	New Construction
Buildings	11
Stories	2 8 3
Gross Sq Ft	107.378
Land Sq Ft	72,900
Units/Acre	44
Total Parking	101
Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$2,750,000 •	$37,671	6.00%	40
LA Housing Dept	$1,836,471	$25,157	5.00%	40
HCD MHP	$4,056,342	$55,566	3.00%	55
Borrowers Cash Contribution	$0	$0		
Deferrd Developer Equity	$216,561	$2,967		
	$4.253.707	$58.270		
CHFA Loan to Lender		$93.219	4.20%	
Tax Credit Equity	$0	$0		

CHFA Loan to Le
CHFA HAT

[redacted]

Type	Size	Number	AMI / SMI	Rent	Max Income
1 BR	582	4	35%	$319	$12,690
2 BR	897	12	35%	$382	$14,280
3 BR	1,122	5	35%	$336	$15,870
4 BR	1,398	1	35%	$368	$23,805
1 BR	582	6	60%	$541	$23,805
2 BR	897	24	60%	$649	$25,718
3 BR	1,122	17	60%	$749	$21,150
4 BR	1,398	3	60%	$828	$23,800
3 BR	1,122	1	Manager	$578	$14,280
		73			

Fees, Escrows and Reserves:

Fees, Escrows and Reserves	Basis of Requirements		Amount	
to Lender	1.00%	of Loan Amount	$68,050	Cash
Finance Fee-permanent Loan		of Loan Amount	$27.500	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$681050	Letter of Credit
Rent Up Reserve	15%	of Gross Income	$77,452	Letter of Credit
Operating Expense Reserve	10%	of Gross Income	$51,635	Letter of Credit
Marketing Reserve	10%	of Gross I n m e	$51,635	Letter of Credit
Annual Replacement Reserve Deposit	0.6%	of Hard Costs	$29,200	Operations
Construction Defects Agreement	2.5%	Hard Costs/12 months	$143,752	Letter of Credit

Sources and Uses — Skyline Village

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA First Mortgage	2,750,000	37,671
CHFA HAT	0	0
LA Housing Dept	1,836,471	25,157
HCD MHP	4,056,342	55,566
Total Institutional Financing	8,642,813	118,395
Equity Financing		
Borrowers Cash Contribution	0	0
Deferred Developers Equity	216,561	
Tax Credit Equity	4,253,707	58,270
Total Equity Financing	4,470,268	61,237
TOTAL SOURCES	13,113,081	179,631

USES:

dcquisition	1,892,520	25,925
Rehabilitation	0	0
New Construction	6,799,044	93,138
Architectual Fees	358,900	4,916
Survey and Engineering	200,000	2,740
Loan Interest Fees	951,408	13,033
Permanent Financing Fees	100,550	
Legal Fees	75,000	1,027
Reserves	180,722	2,476
Contract Costs	10,000	137
Construction Contingencies	395,223	5,414
Local Fees	409,546	5,610
TCAC/Other Costs	540,168	7,400
PROJECT COSTS	11,913,081	163,193
Developer Fee	1,200,000	16,438
Project Administration	0	0
Consultant/Processing Agent	0	0
TOTAL USES	13,113,081	179,631

Annual Operating Budget — Skyline Village

		$ per unit
INCOME:		
Total Rental Income	510,300	6,990
Laundry	6,048	83
Other Income	0	-
CommerciaVRetail	0	-
Gross Potential Income (GPI)	516,348	7,073
Less:		
Vacancy Loss	25,817	
Total Net Revenue	490,531	6,720
EXPENSES:		
Payroll	79,671	1,091
Administrative	51,329	703
Utilities	45,220	619
Operating and Maintenance	37,850	518
Insurance and Business Taxes	20,176	276
Taxes and Assessments	7,550	103
Reserve for Replacement Deposits	29,200	400
Subtotal Operating Expenses	270,996	3,712
Financial Expenses		
Mortgage Payments (1st loan)	181,571	2,487.
Total Financial	181,571	2,487
Total Project Expenses	452,567	6,200

953

Cash ... Skyline Village CHFAI

RLIITAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
M. t Rt t li	2.50%	2.50%	2 50%	2.50%	2.5));	2.50%	2.50%	2.50%	? 6	2.)%
manager	0	0	0	0	0	0	0	0	0	0
Affordable Rent I	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	510,300	523.058	536,134	549,537	563	57 ,:	591,792	606,586	621,751	637,295
TOTAL RENTAL	510,300	523,058	536,134	549,537	563,276	577,358	591,792	606,586	621,751	[illegible]
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	6,048	6,199	6,354	6.513	6,676	6,843	7.014	7,189	7,369	7,553
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	6,048	6,199	6,354	6,513	6,676	6843	7,014	7,189	7,369	7,553
GROSS INCOME	516,348	529,257	542,488	556,050	569,952	584,200	598,805	613,776	629,120	644,848
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	25.81 7	26,463	27,124	27,803	28,498	29,210	29.940	30.689	31,456	32.242
EFFECTIVE GROSS INCOME	490,531	502,794	515,364	528,248	541,454	554,990	568,865	583,087	597,664	612,606
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	400%	4.00%	4.00%
Expenses	236,246	245,696	255,524	265.745	276.375	287.430	298,927	310,884	323,319	336,252
Replacement Reserve	29,200	29,200	29,200	29.200	29,200	29,200	29,200	29300	29,200	29,200
Annual Tax increase	200%	2.00%	2.00%	200%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	5.550	5.661	5.774	5.890	6.007	6.178	6.250	6.375	6.503	6.633
TOTAL EXPENSES	270,996	280,557	290,498	300,835	311,582	322,757	334,377	346,459	359,022	372,085
NET OPERATING INCOME	219,534	222,237	224,866	227,413	229,872	232,233	234,488	236,628	238,642	240,521
DEBTSERWCE										
CHFA - 1st Mortgage	181,571	181,571	181,571	181571	181,571	181,571	181,571	181,571	181,571	181,571
CHFA . Bridge Loan	0	0	0	0	0					
MHP Admin Fee	17,037	17,037	17,037	17,037	17,037	17,037	17,037	17,037	17,037	17,037
CHFA - **HAT** Loan	0	0	0	0	0					
CASH FLOW *after* debt servic	20,927	40,666	43,295	45,843	48,301	50,662	52,918	55,057	57,071	58,950
DEBT COVERAGE RATIO	1.11	1.12	1.13	1.15	1.16	1.17	1.18	1.19	1.20	121

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	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents manager	0	0	0	0	0	0	0	0	0	0
Rent Increase	2.50%		2.50%	2.50%						
Affordable Rents	653,227	669,558	686.297	703,454	721,041	739,067	757,543	776,482	795.894	815,791
TOTAL **RENTAL** INCOME	653,227	669,558	686,297	703,454	721,041	739,067	757,543	776,482	795,894	815,791
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	7,742	7,936	8,134	8,337	8,546	8,759	8,978	9,203	9,433	9,669
Other **Income**	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	7,742	7,936	8,134	8,337	8,546	8,759	8,978	9,203	9,433	9,669
GROSS INCOME	660,969	677,493	694,431	711,791	729,586	747,826	768,522	785,685	805,327	825,460
Vacancy Rate :Market	5.00%	5.00%	5.00%	5 . m	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: Vacancv Loss	33,048	33,675	34,722	35,590	36,479	37.391	38,326	39284	40,268	41,273
EFFECTIVEGROSSINCOME	627,921	643,619	659,709	676,202	693,107	710,435	728,195	746,400	765,060	784,187
OPERATING EXPENSES										
Annual Expense Increase	4.00%		4.00%	4.00%	4.00%			4.00%	4.00%	4.00%
Expenses	349.702		378.238	393,367	409.102	425.466	442,485	460.1	478,592	497,735
ReplacementReserve		29,200	29,200		29,200	29.200			29,200	29,200
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	6.765	6.901	7.039	7.180	7.323	7.470	7.619	7.771	7.927	8.085
TOTAL EXPENSES	385,668	399,791	414,477	429,747	445,625	462,136	479,304	497,156	515,718	535,021
NET OPERATING INCOME	242,253	243,628	245,232	246,455	247,482	248,299	246,892	249,245	249,342	249,166
DEBT SERVICE										
CHFA- **1st** Mortgage	181,571	181,571	181,571	181.571	181,571	181,571	181,571	181,571	161,571	181.571
CHFA- BridgeLoan										
MHP Admin Fee	17.037	17,037	17,037	17.037	17,037	17,037	17.037	17,037	17,037	17.037
CHFA- **HAT** Loan										
CASH FLOW after debt **servic**	60,683	62,257	63,662	64,884	65,911	66,728	679321	67,674	67,771	67,596
DEBT COVERAGE RATIO	1.22	1.23	1.23	124	1.25	1.25	1.25	1.25	1.26	1.25

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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	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents/ manager	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	836,186	857.091	878.518	900,481	922,993	946,068	969.719	993,962	1,018,811	1,044,282
TOTAL RENTAL INCOME	836,186	857,091	878,518	900,481	922,993	946,068	969.71 9	993,962	1,018,811	1,044,282
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	9,910	10.158	10.412	10,672	10,939	11,213	u.493	11,780	12,075	12,377
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	9,910	10,158	10,412	10,672	10,939	11,213	11,493	11,780	12,075	12,377
GROSS INCOME	846,096	867,249	888,930	911,153	933,932	957,280	981,212	1,005,743	1,030,886	1,056,658
Vacancy Rate :Market	5.00%	5 . m	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	42,305	43,362	44,446	45,558	46,697	47,864	49,061	50,287	51,544	52,833
EFFECTIVE GROSS INCOME	803,792	823,886	844,483	865,596	887,235	909,416	932,152	955,458	979,342	1,003,825
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	400%	4.00%	4.00%	4.00%	4.00%
Expenses	517,645	538,350	559,885	582.280	605,571	629.794	654,986	881,185	708,433	736,770
Replacement Reserve	29,200	29.200	29,200	29,200	29,200	29.200	29,200	29,200	29,200	29,200
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	8,247	8,412	8,580	8,752	8,927	9,105	9,287	9,473	9,663	9,856
TOTAL EXPENSES	555,092	575,962	597,665	620,232	643,698	668,099	693,473	719.858	747,295	775,826
NET OPERATING INCOME	248,700	247,924	246,819	245,364	243,538	241,717	238,679	235,697	232 M 7	228,000
DEBT SERVICE										
CHFA- 1st Mortgage	181,571	181,571	181,571.	181,571	181,571	181.571	181.571	181.571	181.571	181.571
CHFA- Bridge Loan										
MHP Admin Fee	17,037	17,037	17,037	17,037	17,037	17,037	. 17,037	17,037	17,037	17,037
CHFA - HAT Loan										
CASH FLOW after debt servic	67,129	66,353	65,248	63,793	61,967	59,747	57,108	54,027	50,476	46,429
DEBT COVERAGE RATIO	1.25	1.25	1.24	1.24	1.23	1.22	1.20	1.19	1.17	LE

Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year35	Year36	Year 37	Year 38	Year 39	Year 40
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents / manager	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,070,309	1,097,148	1,124,577	1,152,692	1,181,509	1,211,047	1,241,323	1,272,356	1,304,165	1,336,769
TOTAL RENTAL INCOME	1,070,389	1,097,148	1,124,577	1,152,692	1,181,509	1,211,047	1,241,323	1 5—	1,304,165	1,336,769
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	12,686	13.003	U.328	U,662	14,003	14,353	14,712	15.080	15,457	15,843
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	12,688	13,003	U,328	U,662	14,003	14,353	14,712	15,080	15,457	15,843
GROSS INCOME	1,083,075	1,110,152	1,137,906	1,166,353	1,195,512	1,225,400	1,256,035	1,287,436	1,319,622	1,352,612
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	54,154	55,508	56,895	58,318	59,776	61,270	62,802	64,372	65,981	67,631
EFFECTIVE GROSS INCOME	1,028,921	1,054,644	1,081,010	1,108,035	1,135,736	1,164,130	1,193,233	1,223,064	1,253,640	1,284,981
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	766,241	796,890	828,766	861.916	896,393	932,249	969,539	1,008,320	1,048,653	1,090,599
Replacement Reserve	29.200	29,200	29.200	29,200	29,200	29.200	29,200	29,200	29,200	29.200
Annual Taxincrease	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2 . m
Taxes and Assessments	10,053	10,254	10,459	10,668	10,882	11,099	11,321	11,548	11,779	12,014
TOTAL EXPENSES	805,494	836,344	868,425	901,785	936,475	972,548	1,010,060	1,049,068	1,089,632	1,131,814
NET OPERATING INCOME	223,427	218,300	212,585	206,251	199,261	191,502	183,173	173,996	164,009	153,168
DEBT SERMCE										
CHFA - 1st Mortgage	181,571	181.571	181,571	181,571	181,571	181,571	181,571	181,571	181,571	181,571
CHFA - Bridge Loan										
MHPAdmin Fee	17,037	17,037	17,037	17,037	17,037	17.037	17.037	17,037	17.037	17,037
CHFA - HAT Loan										
CASH FLOW after debt servic	41,857	36,729	31,015	24,680	17,691	10,011	1,602	(7,575)	(17,562)	(28,403)
DEBT COVERAGE RATIO	1.12	1.10	1.07	1.04	1.00	0.95	0.92	0.88	0.83	0.77

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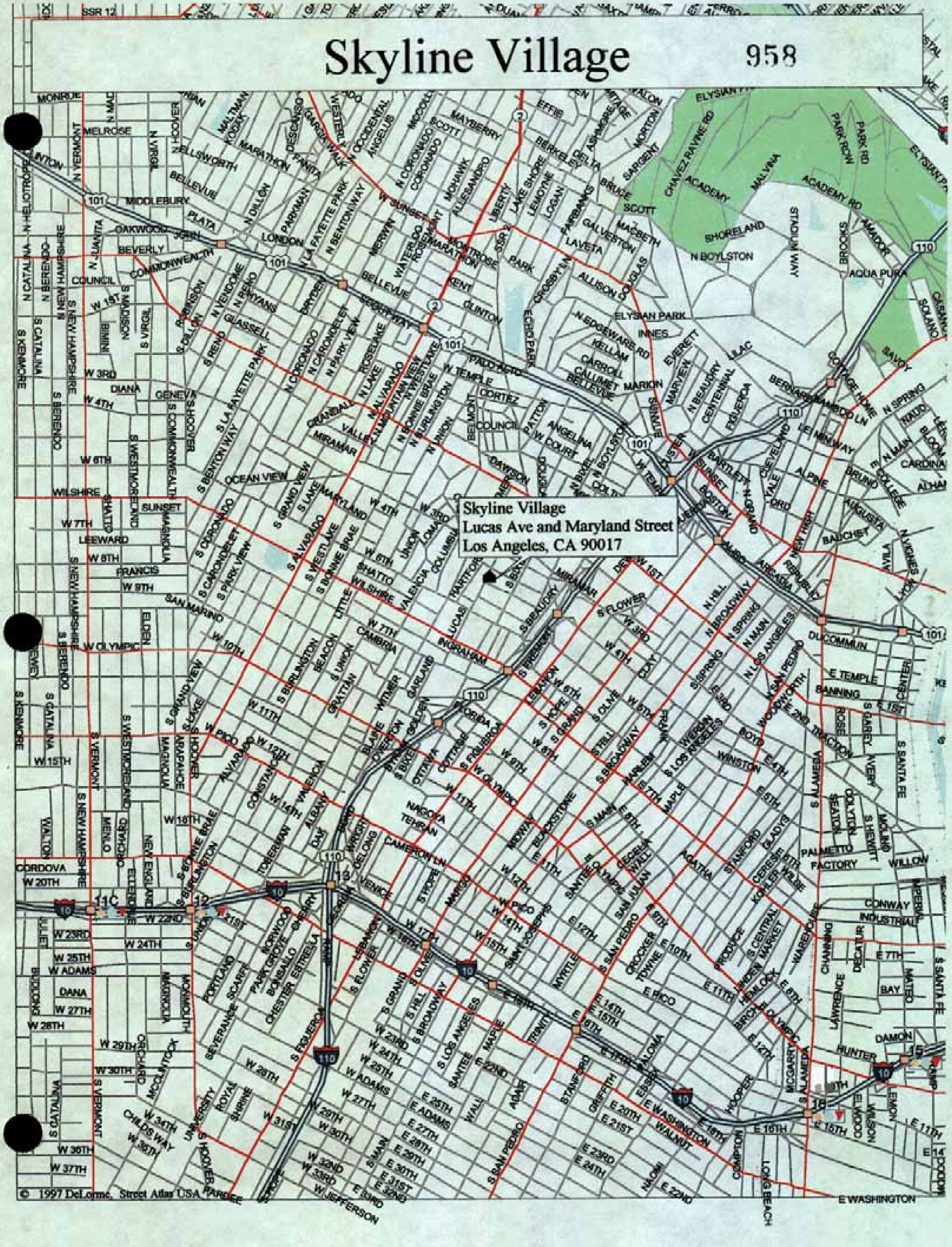
Skyline Village 958



Skyline Village 960

RESOLUTION 01-13

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Skyline Village Limited Partnership, a California limited partnership, c/o Thomas L. Safran (the "Borrower"), seeking a loan commitment under the Agency's ban-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to used to provide for a 73-unit multifamily housing development located in the City of Los Angeles to be known as Skyline Village (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 20,2001 (the "Staff Report") recommending Board approval subject to certain recommended 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 February 20, 2001, 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 Multifamily 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:

2. The Director, or in absence, either the Chief Deputy Director or the Director of Multifdy 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%) and modify the interest rate charged on the Loan-&Lender loan based upon the then cost of finds 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 Multifdy 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 01-13 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Sacramento, California.

ATTEST:_______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Manna Tower Annex Apartments
CHFA Ln.

SUMMARY:

This is a Final Commitment request for three loans totaling The first mortgage in the amount of is fully amortized over thirty years. The second mortgage is a loan amortized over fifteen years. The thud loan is a taxable loan in the amount of $835,000 amortized over one year. The project is Marina Tower Annex Apartments, a 57-unit, senior, existing project located at 575 Sacramento Street, Vallejo, Solano County.

LOAN TERMS:

1st Mortgage	$1,000,000
Interest Rate	5.7%
Term	30 year fixed, fully amortized
Financing	Tax-Exempt
2nd Mortgage Amount	$1,225,000
Interest Rate	5.7%
Term	15 year fixed, fully amortized
Financing	Tax-exempt
3rd Mortgage Amount	$ 835,000
Interest Rate	7.0%
Term	1 year
Financing	Taxable

LOCALITY INVOLVEMENT

Marina Tower Annex is a high priority for the City of Vallejo and the City's Redevelopment Agency is providmg a low interest long term loan in the amount of **$420,000** to ensure affordability for the project.

SECTION8 CONTRACT:

Section 236: The project will operate under four percent tax credlt rent gudelines, with income restrictions at ***50%*** or less of area median income. *As* part of the HUD sale transfer process, the borrower is submitting **a** request to HUD San Francisco's Hub for Mark Up To Market ("MUTM) processing. The procedures that will **be** applied to the project of MUTM are recited in HUD Notice **99-36,** whch states, **"HUD** will mark rents up to market to facilitate a change of ownershp fi-om a for-profit or limited dlvidend owner to a nonprofit".

MUTM wdl require the new owner to execute a five-year HAP contract. CHFA wdl be the contract administrator since the property will no longer be HUD-insured. Notice **99-**36 also states HUD can grant contracts for longer than five years, ***so*** the new owner intends to request a term of twenty ***(20)*** years.

Conversion Scenario: The majority of residents are hkely to remain Section **8** tenants for several years. Given the uncertainty of the HAP contracts, whch may be extended **15** to **20** years, the renewal is subject to annual appropriations. Therefore, **CHFA** staff is requiring a transition operating reserve to subsidize debt service costs. The borrower will seek renewals of all Section **8** HAP contract or the equivalent project-based subsidles for their full term and throughout the project's useful life.

A Transition Operating Reserve ("TOR") shall be required to subsidize the project costs, if required, during the transition fi-om Section **8** to non-subsidized rents. Fundmg of the account will occur at loan closing fiom capitalized funds fiom the mortgage loan in the amount of **$150,000** into the TOR to cover approved operating shortfalls, whch wdl be drawn on an "**as** needed" basis.

MARKET

A. Market Overview

The City of Vallejo is the largest city in Solano County and is located in the northern region of the San Francisco Bay. Vallejo is centrally located between San Francisco, the State Capital of Sacramento and the Napa Wine Valley. The Association of Bay *Area* Governments estimates the population to **be 118,700 as** of The growth forecast for Vallejo in **2005** is **126,800.** State Highways **29** and **37,** and Interstate **80** and **780** serve Vallejo. The Blue and Gold Ferry Fleet operates between Vallejo and San Francisco. There **are** also bus connections to the BART system by Vallejo Transit.

Accordmg to Urban Decisions Systems, Vallejo is a relatively affluent community with a mean household income in 1999 of $5 1,950. Total employment in the city as of 2000 is estimated at 33,880 jobs by ABAG. Of this amount, 30 percent are found in the service area and 59 percent in retail and other (government agencies). ABAG projects a 17.4 percent increase in jobs by 2005 compared to the 1995 level, for an *mual* growth rate of approximately 1.74 percent per year.

B. Market Demand

For purposes of this analysis, the market area is delineated as the City of Vallejo. Despite overall flat population growth during the 1990s the elderly population has been increasing slightly, fi-om 11,786 residents in 1990 to 12,124 in 1999, an increase of almost three percent for the period. For the next five years Inc. estimates an increase to 12,508 elderly residents, up 3.2 percent for the period. In addition, Vallejo's overall population appears to be agmg. For example, the group just below elderly (age 55 to 64) is anticipated to grow fi-om 8,370 persons in 1999 to 10,433 in 2004, an increase of almost 25 percent for the period.

In 1990, Vallejo's elderly households were less hkely to rent their unit than the non-elderly subset of householders. The renter tenure rate for Vallejo's elderly (age 65 or hgher) households was 22.5 percent, compared to a renter tenure rate of 41.7 percent for non-elderly households. Data fi-om the 1990 Census for elderly renter households by household size indicates that tenure significantly influences household size for this age group. A full 63 percent of renter households headed by a householder age 60 or older is composed of a single person. This finding suggests that the subject's one-bedroom units correspond well with the market area's elderly renter household demographic characteristics.

Demand for affordable elderly rental units is stronger than might be suggested by looking only at income levels or tenure rates alone, since a disproportionate share of low-income elderly are renters. Among elderly households, renters make up nearly half of all extremely-low income (zero to 30 percent AMI) households, slightly less than one-third of households in the 31 to 50 percent AMI range, but less than 20 percent of households above 50 percent of AMI.

Given that this project is a rehabilitation of an existing project that would take place later this year, no demand from future growth in the number of households is assumed. However, as the number of senior households in the area increases, as projected by the demographic numbers, there will be a gradual increase over time in the annual demand due to some elderly movement as well as fi-om overall household growth and agmg.

C. Market Supply

As in many other Bay *Area* communities, rent levels in the Vallejo housing market have seen substantial increases in recent years, due to consistently high demand. Accordmg to

Real Facts, a private rental market data vendor, the average occupancy rate in Vallejo was 94.4 percent in 1998, grew to 96.8 percent in 1999, and **has** grown even hgher to 97.6 percent in 2000. *As* a result of these occupancy levels, rents in Vallejo increased at an average rate of 11.5 percent fi-om 1998 to 1999, and increased another 5.4 percent between January and March 2000. This data is based **on** rent levels and occupancy rates at 19 complexes in Vallejo, with a total of 2,964 units.

Based **on** Real Facts data for Vallejo, current average rents by bedroom count are: $783 for one-bedroom units and the average one-bedroom unit size averages 690 square feet. This current average rent is a 5.4 percent increase over 1999.

21 percent of Vallejo's rental stock was constructed in the 1960s, 74 percent dates from the 1970s and 13 percent was built in the 1980s.

There are no comparable market rate rental projects within one mile of the Marina Towers Annex, due to its unique location in downtown Vallejo, whch has a more suburban development pattern for housing over the last three decades. The downtown area does contain several older public housing and other affordable housing projects. However, these are not considered comparable.

Only one rental project is planned for the market area, the Solano Vista Senior Apartments. This 291-unit project will be built in two phases, and its projected opening is not known (although Phase I, with 96 units, is under construction). Rental rates for Phase I will be affordable to 40 and **50** percent *AMI* households. Phase II is currently applying for a **Low** Income Housing Tax Credit allocation.

Finally, reuse plans proposed by one of the master developers for **Mare** Island, Lunar, call for several hundred multifdy units. However, tenure status and opening dates for these units are not yet kown.

			Mkt.	
One Bedroom		$780		
35%	$307		$473	39%
45%	$407		$373	52%
50%	$504		$276	***65%***

PROJECT DESCRIPTION

A. Site Design:

Located at 575 Sacramento Street near its intersection with Georgia and Virginia Streets, Marina Towers Annex is a three-story building situated *on* a rectangular acre site. Marina Towers, a 14-story, project based Section 8 development whch houses ***80*** percent elderly and **20** percent non-elderly tenants as well as office space, is immediately north of the Annex. The one-bedroom unit sizes vary slightly, but each unit **has** a living/dining **area,** lutchen, bedroom, and bathroom, and each unit has either a balcony, terrace, or patio.

Marina Towers Annex's existing project amenities will remain in place after rehabilitation. These amenities include a recreation room serving its elderly residents. Outside the Annex, there is a garden in whch residents plant flowers and vegetables. Outdoor parking, located to the west of the Tower, is available for all tenants in the Annex. In addition to the recreation room serving residents, there is an on-site senior drop-in center run by the County Agency for Aging, serving the broader Vallejo senior community.

B. Project Location:

Marina Towers Annex is located within one block of Georgia Avenue, the major shopping street of downtown Vallejo. This area, known as Old Town Vallejo, offers a number of retailers, includmg clothing, computer, book and stores; eating establishments. Two blocks east is Sonoma Boulevard, downtown Vallejo's main south thoroughfare. Vallejo City Hall, the main post office, and a library are immediately west of the site; beyond this civic complex to the west is Memorial Park, and beyond the park is the Napa Rzver waterfront. City staff is on the implementation of a Waterfront Master Plan, whch will contain market rate for-sale housing, a hotel, and a conference center.

Although there **are** no full-service grocery stores **m** the immediate area, the Agency for Aging provides free van service to nearby grocery stores, such as Safeway, Save Max, Raley's and Albertson's, all of whch are within two to three miles of the site.

The Vallejo Municipal Transit Services stops du-ectly in front of Marina Towers Annex, offering public transit connections to Sonoma Boulevard shopping, downtown, the Serene Transit Center and other bus lines serving the city.

REHABILITATION

A Physical Needs Assessment was perfiormed by Catherine Dolph dated August 30, 2000 whch compared the **scope** of work the borrower was proposing as well as a physical inspection of the property and her assessment of immediate required rehabilitation items.

The proposed improvements at Marina Towers Annex will involve rehabilitation of the units and project. Exterior improvements and repairs include cosmetic repairs of the building foundation, landscaping, and the installation of new energy efficient windows. Interior improvements and repairs will include lutchen and bathroom upgrades and energy efficient appliances, new carpeting where needed in the hallways and units, GFCI outlets, wall heaters, boiler and water heaters, emergency call system repair, termite work, and painting of common areas and units where needed.

All .rehabilitation will be conducted with the tenants-in-place, and with minimal disruption.

OCCUPANCY RESTRICTIONS

CHFA:	20% of the units (12) will be restricted to 50% or less of median income.
TCAC:	100% of the units (57) will be restricted to 50% or less of median income.
Vallejo Redev	10% of the units (6) will be restricted to 35%, 10% of the units (6) will be restricted to 45% and 26% of the units (15) will be restricted to 50% of AMI.

ENVIRONMENTAL:

A Phase I-Environmental Assessment Report prepared by Treadwell & Rollo dated February 16, 2001 indicated no adverse conditions with the exception of evaluating the light ballasts for PCBs prior to disposal.

An asbestos and lead survey was conducted by EnviroGroup dated May 22, 2000. This survey revealed no asbestos or lead presence.

ARTICLE 34:

Satisfactory evidence of Article XXXIV compliance will be a condition of the final commitment.

DEVELOPMENT TEAM:

A. Borrower's profile

The owner is a to be formed ownership entity consisting of BRIDGE Housing Corporation whch will assign its interest in the partnershp to a wholly owned 501(c)(3) subsidiary. The subsidiary will remain in the partnershp as the managing general partner.

The John Stewart Company will remain in the partnershp as the non-managing general partner.

BRIDGE Housing Corporation was established in 1982 and developed, constructed and managed 503 units of multifamily housing in the year 2000.

B. Contractor

C.R.I. Construction Company is a service oriented general contractor engaged in the remodeling industry the past 16 years and active in the construction industry for the past 34 years.

C. Architect

No architect is required based upon the contemplated rehabilitation proposed at the subject property.

D. Management Agent

The John. Stewart Company will provide property management services for the project. The company has many years of management experience in both subsidized and unsubsidized projects throughout the Bay Area.

Project Summary

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Date: 20-Feb-01

Project Profile:

Project	I Marina Towers *Annex*	*Appraiser:*	Bruce MCGuire
Location:	575 Sacramento Street		Western Appraisal Serv.
	Vallejo	*Cap Rare:*	9.50%
County/Zip:	Solano · 94590	*Marker:*	
Borrower:	BRIDGE	*Income:*	
GP:	TBD	*Final Value:*	
		LTC/LTV:	
Program:	Tax Exempt	***Loan/Cost***	47.6%
CHFA # :	01-005-N	***Loan/Value***	142%

Project Description:

Units	57
Handicap Units	n/a
Bldge Type	Acq/Rehab
Buildings	3
Gross Sq	33551
	23522
Units/Acre	106
Total Parking	0
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$1,000,000	$17,544	5.70%	30
City of ȷı ɔd	$420,000	$7,368	0.00%	
‹ 5 ·	$0	$0	0.00%	
Othe L	$0	$0		
Developer Equity	$681,288	$11,952		
Tax Credit Equity	$1,250,000	$21.930		
Deferred Developer Fee	$94.886	$1,665		
CHFA Second Mortgage	$1,225,000	$21,491	5.70%	15
CHFA Taxable Tail	$835,000	$14,649	7.00%	1

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	550	45	50%	$504	$21,325
1BR	550	6	45%	$407	$19,193
1BR	550	6	35%	$307	$14,928
		57			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	security
Commitment Fee	1.00%	of Loan Amount	$22,250	Cash
Finance Fee	1.00%	of Loan Amount	$22,250	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$22,250	Letter of Credit
Rent Up Account	0.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.[illegible]	of Gross Income	$46,124	Cash
Marketing	0.00%	of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	350	Per Unit	$19,950	Operations
Initial Deposit to Replc. Reserve	945	Per Unit	$53,876	Cash
Transition Operating Reserve	$0	Per Unit	$150,000	Capitalized

Sources and Uses — Marina Towers Annex

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA First Mortgage	1,000,000	17,544
CHFA Second Mortgage	1,225,000	21,491
CHFA Taxable Tail	0	0
City of Vallejo Redev.	420,000	7,368
Loan 5	0	0
Other Loans	0	0
Total Institutional Financing	**2,645,000**	**46,404**
Equity Financing		
Tax Credits	1,250,000	21,930
Developer Equity	681,288	
Deferred Developer Equity	94,886	1,665
Total Equity **Financing**	2,026,174	35,547
TOTAL SOURCES	4,671,174	81,950

USES:

Acquisition	3,000,000	52,632
Rehabilitation	498,800	8,751
New Construction	0	0
Architectual Fees	0	0
Survey and Engineering	4,500	79
Const, Loan Interest & Fees	48,500	851
Permanent Financing	103,450	1,815
Legal Fees	35,000	614
Reserves	250,334	4,392
Contract Costs	22,800	400
Construction Contingency	79,799	1,400
Local Fees	11,000	193
TCAC/Other Costs	117,852	2,068
PROJECT COSTS	4,172,035	73,194
Developer **Overhead/Profit**	499,139	8,757
Consultant/Processing Agent	0	0
TOTAL USES	4,671,174	81,950

Annual Operating Budget Marina Towers Annex

		$ per unit
INCOME:		
Total Rental Income	457,818	8,032
Laundry	3,420	60
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income	*467,238*	*8,092*
Less:		
vacancy Loss	16,349	287
Total Net Revenue	**444,889**	7,805
EXPENSES:		
Payroll		1,063
Administrative	52,680	924
Utilities	38,740	680
Operating and Maintenance	43,500	763
Insurance and Business Taxes	14,359	252
Taxes and Assessments	0	-
Reserve for Replacement Deposits	19,950	350
Subtotal Operating Expenses	*229,829*	4,032
Financial Expenses		
Mortgage Payments (1st loan)	69,648	1,222
Total Financial	*69,648*	**1,222**
Total Project Expenses		**5,254**

Cash Flow **Marina Towers Annex CHFA # 01-005-N**

RENTAL	Year 1	Year 2	Year 3	4	Year	Year 6	Year 7	Year 8	Year 9	Year 10
	2.50%	2.50%					2.50%		2.50%	
8 Rents	134250			144573	148,187			I	163571	
Affordable Rent Increate			2.50%						2.50%	
	323568	331,657	339.949	348.447	357.1 59	366.087	375.240	384,621	394.236	404.092
TOTAL RENTAL INCOME	457,818	469,263	480,995	493,024	505,345	517,979	530,929	544,202	557,807	571,752
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	3,420		3.593	3.683	3.775	3.869		4.065	4.167	4.271
		NIA	NIA	NIA	NIA		NIA		NIA	NIA
TOTAL OTHER INCOME		3,506		3,683		3,869			4,167	4,271
GROSS INCOME	461,238	472,769	4843811	496,703	509,124	521,848	534,895	548,267	561,974	576,023
VacancyRate Market	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
VacancyRate :Affordable	5.	5.00%	5.	5.00%	5 . m		5.m			
	16.349		17.177	17.607				19.414	19.920	20.418
GROSS INCOME		1	467.411							
OPERATING EXPENSES										
Annual Expense Increate	4.00%	4 . m	4.00%	4 . m	4.00%	4 . m	4 . m	4 . m	4 . m	4.00%
Expenses	209,879	218.274	227.005	236.085	245.528	255.350	265.564	276,186	287.234	298.723
Replacement Reserve	19,950	19.950	19,950	19,950	19.950	20.948	20.948	20,948	20.948	20,948
Annuul Tax Increase	2.00%	2 . m	2 . m	2 . m	2.00%	2.00%	2 . m	2 . m	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	229.829	238,224	246,955	256.035	265.478	276.297	286,511	297.134	308.181	319.670
NET OPERATING INCOME	215,060	217.787	220,456	223.061	225.595	227,054	229.423	231.699	233.873	235.935
DEBT SERVICE			546							
CHFA-1st Mortgage	69.648	69.648	69,648	69.648	69.648	69.648	69.648	69.648	69.648	69.648
CHFA-2nd Loan (Sec. 8)	121.677	121.677	121,677	121,677	121,677	121,677	121.677	121,677	121,677	121,677
CHFA-HAT Loan	0	0	0	0	0					
CASH FLOW after debt service	23,735	26,462	29,131	31,736	34,270	35,728	38,098	40,374	21,325	44,609
DEBT COVERAGE RATIO	1.12	1.14	1.15	1.17	1.18	1.19	1.20	1.21	1.22	1.23
CHFA Capitalized TOR	150,000									
TOR at 5% Interest	150,000	157,500	165,375	173,644	182,326					

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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
Sec. 8 Increase	2.50%	2.50%	2.50%	2.50%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Sec. 8 Rents	I71,851	176,148	180,551	185.065	189.692	NA	N/A	N/A	NA	NA
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	414.194	424.549	435.163	446.042	470.909	496,809	514,197	532.194	550,821	570,100
TOTAL RENTAL INCOME	586,046	600,697	615,714	631,107	660,601	496,809	514,197	532,194	550,821	570,100
OtherIncnmt Increace	2.50%	2.50%	2.50%	250%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	4.378	4.487	4,600	4.71S	4,832	4.953	5.077	5.204	5.334	5.467
Commercial	N/A	NA	NA	NA	NA	N/A	N/A	NA	NA	NA
TOTAL OTHER INCOME	4,378	4,487	4,600	4,715	4,832	4,953	5,077	5,204	5,334	5,467
GROSS INCOME	590,424	605,184	620,314	635,822	665,433	501,762	519,274	537,398	556,155	575,567
VucancyRute Market	0.00%	0.00%	0.00%	0.00%	0.00%	0.m	0.00%	0.00%	0.00%	o . m
Vucuncy Rate :Affordable	5 . m	5.00%	5 . m	5.00%	5.00%	5.00%	5.00%	5.m	5.00%	5.00%
Less: Vacancy Loss	20.929	21,452	21,988	22.538	23.787	25.088	25,964	26,870	27.808	28,778
EFFECTIVE GROSS INCOME	569.495	583.732	598.326	613.284	641.646	476.674	493.311	510.528	528.347	546.789
OPERATING EXPENSES										
Annuul Expense Increase	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m
Expenses	310,672	323,099	336.023	349,464	363.442	377,980	393,099	408,823	425.176	442.183
ReplacementReserve	21.995	21,995	21,995	21,995	21.99s	23.095	23,095	23.095	23.095	23,095
Annual Tax Increase	2 . m	2.00%	2.00%	2 . m	2.00%	2 . m	2.00%	2.00%	2 . m	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	332,667	345,094	358,038	371,458	385437	401,074	416,194	431918	448,270	465278
NET OPERATING INCOME	236,828	238,639	240,308	241,825	256,209	75,600	77,117	78.611	80,077	81,511
DEBT SERVICE										
CHFA - 1st *Mortgage*	69.648	69,648	69.648	69.648	69,648	69.648	69.648	69.648	69.648	69.648
CHFA - 2nd Loan (Sec. 8)	121,677	121.677	121,677	121,677	I21,671					
CHFA . HAT Loan										
CASH FLOW after debt service	45,503	47,314	48,983	50,500	64,884	5,952	7,469	8,963	10,429	11,863
DEBT COVERAGE RATIO	1.24		1.26	1.26		1.09	1.11	1.13		1.17
CHFA Capitalized TOR										
TOR at interest										X

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Increase	0.m	0.m		0.00%			0.00%		--	0.00%
8		NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Affordable Increase			2.50%	2.50%		2.50%				
Affordable	590.053	6	632,080		677,100	694.027		729.162	747,391	766.076
INCOME			632,080			694,027		729,162	747,391	766,076
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	5,604	5.744	5.888	6.035	6,186	6,340	6,499	6.661	6.828	6,999
Commercial	NIA	NIA	NIA	NIA	NIA	N/A	NIA	NIA	NIA	N/A
TOTAL OTHER INCOME	5,604	5,744	5,888	6,035	6,186	6,340	6,499	6,661	6,828	6,999
CROSSINCOME	595,657			660,237					754.219	
Vacancy I				0.					a	
VacancyRate :Affordable	5.00%	5.00%	5 . m	5 . m	5 . m	5 . m	5 . m	5 . m	5 . m	5 . m
Less: Vacancy Loss	29.783	30,822	31,898	33,012	34,164	35.018	35.894	36.79 I	37.7 II	38.654
EFFECTIVE GROSS INCOME	565,874	585,627	606,069	627,226	649,121	665349	681,983	699,032	716,508	734,421
OPERATING EXPENSES										
Annuul Expense Increase	4 . m	4 . m	4 . m	4.00%	4.00%	4 . m	4.00%	4.00%	4 . m	4.00%
Expenses	459.870	478.265	4973%	517,291	537.983	559.502	581.883	605,158	629,364	654.539
Replacement Reserve	24.249	24.249	24.249	24.249	24.249	25,462	25.462	25,462	25.462	25.462
Annual Tax Increase	2 . m	2 . m	2 . m	2 . m	2.00%	2 . m	2 . m	2.00%	2 . m	2 . m
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	484,120	502,514	521,645	541,541	562,232	584,964	607,344	630,620	654,826	680,001
NET INCOME	81.755	83.1 12	84.424	85.685	86.889	80.385	74.639	68.41 3	61.682	
DEBT SERVICE										
CHFA - **1st** Mortgage.	69.648	69.648	69.648	69.648	69,648	69.648	69.648	69.648	69.648	69.648
CHFA - **2nd Loan** (Sec. 8)										
CHFA . HAT Loan										
CASH **FLOW after debt service**	12,107	13,464	14,776	16,037	17,241	10,737	4,990	(1,235)	(7,966)	(15,228)
DEBT COVERAGE **RATIO**	1.17	1.19	1.21	1.23	1.25	1.15	1.07	0.98	0.89	0.78
CHFA Capitalized TOR										
TOR **at 5%** Interest										

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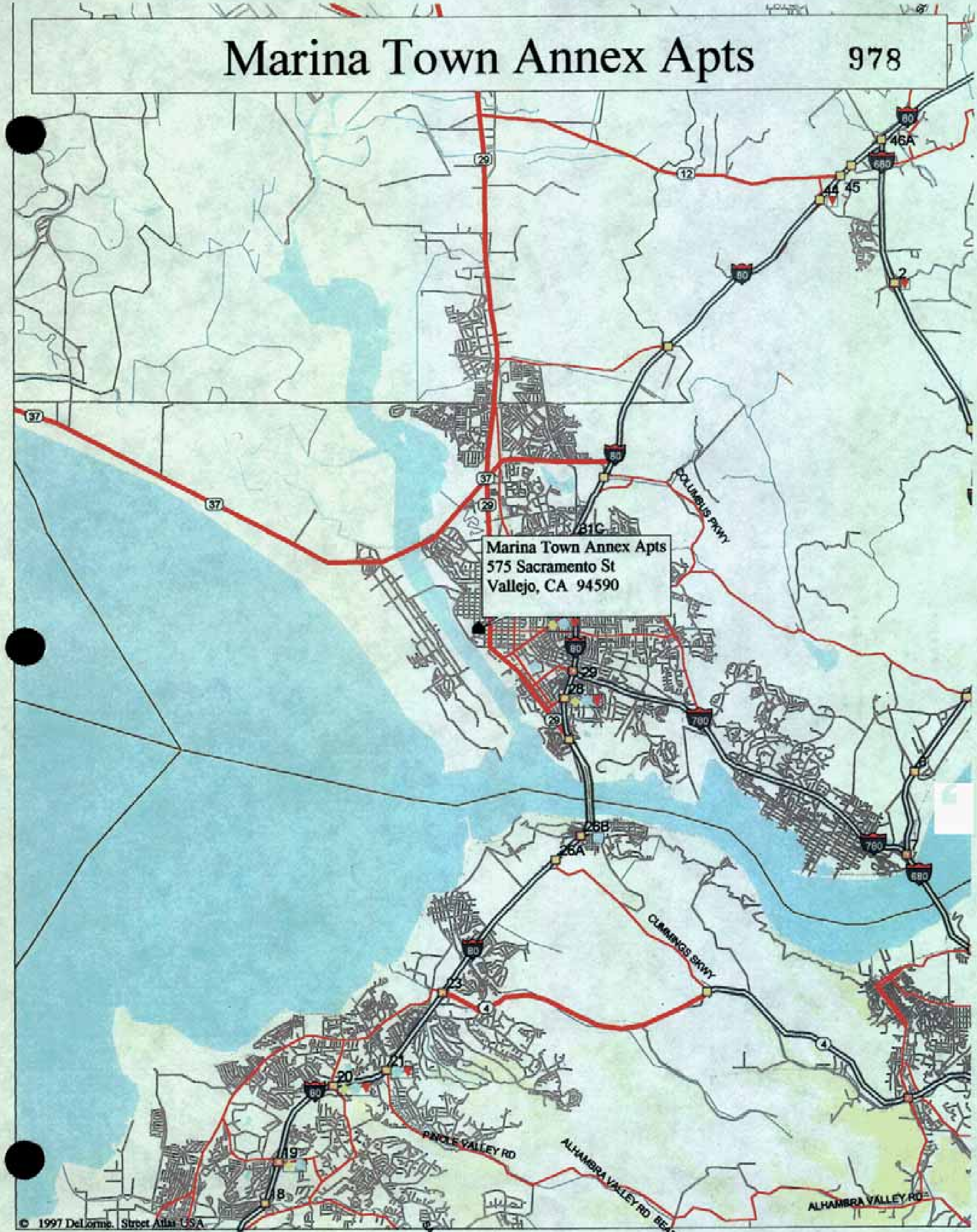
Marina Town Annex Apts 978



Marina Town **Annex Apts** 980

RESOLUTION 01-14

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from John Stewart Company and BRIDGE Housing Corporation (the "Borrower"), seeking a loan commitment under the Agency's Preservation Acquisition Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 57-unit multifamily housing development located in the City of Vallejo to be known as Marina Towers Annex (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 20, 2001 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on February 20, 2001, 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
01-005-N	Marina Towers Annex Vallejo/Solano	57	
		First Mortgage:	$1,000,000
		Second Mortgage:	$1,225,000
		Taxable:	$ 835,000

2. The Executive Director, or in hisher 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 commitment, including increases in mortgage amount of more than seven percent 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 this is a true and correct copy of Resolution 01-14 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Millbrae, California.

secretary

Executive Summary

Date: 21-Feb-01

Project Profile:

Project I	InternationalBoulevard, PhaseII	*Borrower:*	Stanley Avenue **Affordable** Housing, LP
Location:	**6006 International** Blvd, 14191423 **61st St**	*GP:*	TBD
City:	Oakland, CA.	*LP:*	TBD
County:	Alameda	*Program:*	Tax-Exempt, Special Needs
Type:	Family	*CHFA#* I	. 00043N

Financing Summary:

	Final	Per Unit
MHP	$1,262,165	$52,590
Other Loans	$392,000	**$16,333**
Deferred Developer Equity	$21,426	$893
Tax Credits	$1,734,813	$72,204
CHFA Bridge	$0	$0
CHFA LOAN TO LENDER	$3,150,000	$131,250

Loan to Value
16.6%

Loan to Cost
7.1%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	0	1	20% HCD	$187	8,800
2 BR	937	1	20% HCD	$203	9,960
2 BR	937	2	35% HCD	$390	17,440
3 BR	0	1	35%HCD	$444	20,160
3 BR	0	3	40% HCD	$516	23,040
1 BR	0	4	40% TCAC	$472	21,640
2 BR	937	2	40% TCAC	$562	24,320
4 BR	0	2	40% TCAC	$709	29,200
3 BR	0	7	45% TCAC	$730	30,420
2 BR	937	1	Manager		
		24			

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

International Boulevard Housing Initiative, Phase 11

CHFA

SUMMARY:

This'is a Final Commitment for a loan funding to Wells Fargo Bank under the California Housing Finance Agency ("CHFA"of "Agency") Loan to Lender Program in the amount for eighteen months at 3.00%. After eighteen months the loan will be paid off and CHFA will finance a permanent loan in the amount of for twenty-five years at 3.00%. The is International Boulevard Housing Initiative, Phase 11 a proposed unit, special needs and family housing development located at the International Boulevard and 61st Street in the City of Oakland, Alameda County.

LOAN TERMS :

Loan to Lender:

Interest Rate:	3.00%
Term:	Eighteen Months
Financing:	Tax-Exempt

First Mortgage: **$415,000**

Interest Rate:	3.00%
Term:	Twenty-five Years Fixed, Fully Amortized
Financing:	Tax-Exempt

SPECIAL NEEDS LOAN TERMS:

The Agency's will make both a reduced interest loan to the construction lender and a reduced rate permanent loan. *An* interest rate subsidy of $240,000 will be required to reduce the interest rate fi-om *on* the construction loan fi-om 4.4% to **3%,** and the interest rate on the permanent loan fi-om 5.7% to 3%. This loan affords the Agency an opportunity *to* utilize federal funding sources to deepen project affordability.

LOCALITY INVOLVEMENT:

The City of Oakland has agreed to make a **$2,033,167** loan to the project. These funds will be available before or at construction loan closing. The project has also received a commitment from Alameda County for eight (8) Shelter Plus Care rental subsidies. The Shelter Plus Care subsidies *are* project-based but expire in *5* years. Renewal is discretionary with HUD. The Shelter Plus Care subsidies will support the social service budget for the special needs residents.

Other funding commitments have also been obtained: The HUD Supportive Housing Program will provide a $300,000 grant. The Federal Home Loan Bank will provide **a $92,000** Affordable Housing Program ("AHP") forgivable loan. The State of California Housing and Community Development ("HCD") is providing a loan of **$1,262,165** under the Multifamily Housing Program ("MHP") to the project at 3% for *55* years. And the Agency's **$3,150,000** tax-exempt Lender Loan will allow the project to qualify for **4%** Low Income Tax Credits from the California Tax Credit Allocation Committee ("TCAC).

HCD will require that state prevailing wages be paid and that the borrower provide a certification of compliance at construction completion.

SPECIAL NEEDS PROGRAM :

This project will provide **24** units of new permanent, supportive housing for very low-income families. Eight (8) of the units will be reserved for families where the adult member has either a diagnosed mental illness, a history of substance abuse, or has been diagnosed with HIV/AIDS and is homeless or in danger of becoming homeless. The sponsor may, at their option, designate two **(2)** units for persons diagnosed with a different handicap. The special needs applicants for eight (8) of the units will be drawn from the City of San Francisco Shelter Plus Care waiting lists.

Social Service Program:

The Sponsor will provide Social Services for all residents in the development. The social service program will include the following components:

- A service coordinator
- Social and recreational programs for families
- Case management, services provision and coordination
- Outreach and referrals
- Intake and screening
- Creation and staffing of a tenant's Association
- Crisis intervention
- Services to be provided on site include: peer support groups, individual counseling and parenting groups, credit counseling, and health counseling

- Services offered off site include: computer training, job preparation, counseling and du-ect placement services, after school programs, ESL, homework help, arts and crafts

The Borrower has letters of support fi-om the following organizations to provide services:
- Women's Employment Resource Center (job preparation)
- Rainbow Recreation Center (after school programs)
- Eastmont Computing Center (computer training)
- JBM Global Services (free cable access)
- East Bay Community Recovery Project (case management, mental health and substance abuse counseling, medlcal services, HIV testing, health education)
- Consumer Credit Counseling (credlt counseling)

In the first five years, the social service program will be h d e d with Shelter Plus Care rental subsidy income.

MARKET:

A. Market Overview:

The primary market area for the project has been defined as the area within a o n e - d e radlus ofthe proposed project and the secondary market as the City of Oakland.

Oakland is the largest city in Alameda County. Alameda County has a population of **1,421,000** and has a 5-year growth rate of **5.4%.** The City of Oakland has a population of **402,100,** and a ten-year growth rate of **6.2%.** Demand is strong for both market rate and affordable housing in Oakland. Vacancy rates for market rate housing are under **1%,** and units are filled at turnover. The demand for housing in Oakland has been affected by both the overall trends toward increased rents in the Bay *Area* in general and sharp rent increases in San Francisco in particular. Many residents of San Francisco and the Peninsula are moving to the East Bay cities, includmg Oakland, in search of affordable housing. Pockets of housing in Oakland, around Adams Point and Lake have experienced a high demand for housing. The markets in the more affluent areas of Oakland have responded to the market, and both market-rate new construction projects and market-rate rehabilitation projects are in the planning process. Other **areas,** llke the primary market area in Central and West Oakland, have experienced increased rental rates over the last **18** months, but rents do not yet support unsubsidized renovation or new construction housing projects.

B. Market Demand:

A market study performed by Vernazza Wolfe Associates, Inc, *on* June 7, **2000** defined a market area for the project as the area within a o n e - d e radlus of the project. The pnmary market area includes a population of 11,343 people, with 3,777 households, **2,145** renter households, 938 qualified renters, and an average household size of 3.5 persons. The average household income in the projects market area in **2000** was **$29,434** and that the average renters income was **$23,556** (approximately **58%** of the Oakland area average income).

The market study found the subject units *are* priced **26%** to **63** below the current market rents in all categories. The study identified an annual demand of **226** rental units in the market area. The study concluded that the subject **24** units would be absorbed into the market as soon as they become available. This conclusion was confirmed in the appraisal dated February **15, 2001** by Thomas E. Dum Real Estate Appraisers, Inc. They surveyed two hundred and sixty-two **(262)** market rate units in eight (8) market rate buildings near the subject property. *All* eight properties had vacancy rates of less than **1%.** The appraiser also surveyed two hundred and twenty-two units **(222)** in five **(5)** Low Income Tax Credit projects. All five of the affordable projects had vacancy **rates** below **1%** and long waiting . lists.

C. Housing Supply:

Currently there are **155,676** housing units in Oakland, **73,567** single-fdy units, and **8 1,908** multifdy units. There are currently **2,914** assisted units in Oakland through State and local funds. There are **1,116** families *on* waiting lists for public housing. There are **2,934** families on the Section **8** waiting lists for housing certificates and **10,000** families in the process of becoming applicants.

There are **5,500** to 6,000 new housing units in various stages of planning in Oakland, and **1,500** of these units have received planning approvals. However, only **260** of these planned units are affordable units.

PROJECT FEASIBILITY:

A. 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				
20%	$187	$775	$588	76%
40%	$472		$303	39%
Two Bedroom				
20%	$203	$1,050	$847	81%
35%	$390		$660	63%
40%	$562		$488	46%
Three Bedroom				
35%	$444	$1,200	$756	63%
	$516		$684	57%
45%	$730		$470	39%
four Bedroom				
40%	$709	$1,325	$616	46%

B. Lease Up

The market study concluded that the twenty-four units in the subject property would be absorbed as soon as they become available.

PROJECTDESCRIPTION:

Site Design:

The proposed project is the new construction of a 24-unit multi-family apartment complex consisting of 5 one-bedroom, 6 two-bedroom, 11 three-bedroom, and 2 four bedroom units. The project will also have a 675 square foot manager's office, and community room.

The construction will be wood frame on slab. The exterior will be stucco and wood slats. Seventeen of the units will be designed as townhouses. The other seven units will be flats. The four townhouses on International Boulevard will have entrances to the street and will be targeted to artists. The buildings will be two and three stories high and are designed to blend into the residential character of the area. The buildings will have a mixture of flat and peaked rooflines. There will be an internal courtyard area, with a tot lot and children's play area. Parking will be off-street and secured. Heating will be gas.

Phase 11 is located on the same one block of International Boulevard as of the Phase I of the project. Phase I is a 35 unit family housing development that is currently under construction. The social service office will be physically located in the Phase I complex.

B. Project Location

The property is located in the Central East Oakland, two miles southwest of the downtown area on International Boulevard. International Boulevard is a major, mixed-use thoroughfare characterized by small to medium scale commercial buildings and apartment complexes. It is served is served by several bus routes, whch also provide access to BART. The site is accessible to Interstate 880 from the north on High Street and 42nd avenue, or from the south on Hegenburger Road. The area is part of the Coliseum Redevelopment Project Area, and is targeted by the City for CDBG expenditures.

The residential area immediately to the west of International Boulevard is comprised of older single family housing, some of whch is in poor condition. Two large Oakland Housing Authority developments are located three blocks to the Southeast.

OCCUPANCY RESTRICTIONS:

CHFA	40% of the units (10) restricted to 50% of AMI the term of the permanent loan. The Agency will also require

that 10 units be available for special needs residents and that a supportive service program be provided for the term of the permanent loan.

City of Oakland: 10% of the units (3) restricted to **35%** of AMI.
90% of the units **(20)** restricted to **50%** of AMI..

HCD: HCD will require that **35 %** of the units **(8) be** reserved for families for **55** years.
2 units restricted to families at 20% of **SMI.**
3 units restricted to families at **35%** of **SMI**
3 units restricted to families at 40% of **SMI**

TCAC: 100% of the units (23) are restricted to 60% of **AMI**

AHP: 60% of the units (14) are restricted to 50% of **AMI.**

HUD-SHP: SHP will require that ten percent **(2** units) be restricted to **20%** AMI or below, and fifteen percent (3 units) at **35%** AMI. **SHP** also requires that the resident pay the restricted rent or 30% of their income, whch ever is lower, for ***20*** years.

ENVIRONMEN AI

The project received a Phase I Environmental Report prepared by Clayton Group Services dated August **10, 2000.** The Phase I report identified the potential adverse conditions that are listed below:

- Underground storage tanks may have been associated with **a** gasoline service station use at 6006 International Boulevard. A Phase II geophysical survey to identify backfill areas, other buried objects, and evidence of septic tanks, wells and UST's. The Phase II has been conducted and we have been informed that it identified a tank beneath the sidewalk that will require capping or removal. We ***are*** waiting to receive a copy of the Phase llreport.

- Oil stains were observed at 6006 International Boulevard. **A** Phase 11 passive soil gas survey was recommended to check for subsurface impacts. This study **has** been conducted and we have **been** told that **no** significant soil contamination was identified. We are waiting for **a** copy of the report to determine if any mitigation measures will be required.

- The two houses on the property are being demolished. Both lead and asbestos testing were conducted. Asbestos contamination was identified but not lead. The report recommended full demolition abatement, to be carried out to ASTM standards by a certified abatement contractor.

Chevron has been identified as a potentially responsible party and has agreed that if there is any petrochemical contamination attributed to their operation of a service station on the property, that they will conduct all required testing, and be responsible for remehation work (for both tank removal and soil mitigation).

RELOCATION:

Pacific Relocation Consultants of Oakland, California prepared a Relocation Plan for the property in January 2001. The study found that the demolition of two single families homes currently on the site will trigger relocation obligations, and these costs are included in the development budget. The City of Oakland will monitor the relocation process, and a certification will be required at permanent loan closing that the relocation was carried out to the requirements of the plan and the Uniform Relocation Act.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The sponsor, Resources for Community Development (RCD) has been actively participating in the development and rehabilitating of multifdy affordable housing for 17years. Formed as a nonprofit, public benefit corporation, RCD has developed 696 units in California. They currently own 560 units in 20 buildings. They specialize in housing special needs populations and 14 of their 20 properties serve special needs populations. RCD will be the managing general partner.

RCD is collaborating on this project, and on Phase I, with East Oakland Community Development Corporation, a neighborhood based non-profit corporation. Phase I and Phase 11is Oakland CDC's first exposure to affordable housing development, and they are working closely with RCD to gain development expertise. East Oakland's principal role in this development has been and will be community involvement and coordmation of social service programs.

B. Contractor

The Contractor is J. H. Fitzmaurice, Inc. of Oakland, CA. Founded in 1922, they have built fifteen affordable family housing projects in the last five years. J. H. Fitzmaurice is the contractor on Phase I and has entered into a negotiated bid agreement with the Borrower on Phase

C. Architect

The Archtect is Pyatok Associates of Oakland California. The firm is well respected as a designer of affordable housing and has designed 8000 units of affordable housing in the last 30 years. In the last 10 years, **Pyatok** designed thirty-four affordable housing developments in the Bay ***Area,*** includmg one Agency project, Swans Market Apartments.

Management Agent: The **John** Stewart Company will manage the project. They were chosen because they have a special emphasis on program development for residents, and are able to hire specialized staff for supportive service programs.

Project Summary

Data: 23-Feb-01

Project Profile:

Project:	International Boulevard, Phase II	*Appraiser:*	Art Lombard, MAI	*Units*	24
Location:	6006 International Blvd, 1419-1423 61st St		Novogradac & Company	*Handicap Units*	10
	Oakland, CA.	*Cap Rate:*	7.00%	*Bldge Type*	new
County/Zip:	Alameda 94621	*As-Is Value*	$2,500,000	*Buildings*	5
Borrower:	Stanley Avenue Affordable Housing, LP	*After Rehab*	$2,500,000	*Stories*	2 and 3
GP:	Recources for Community Development	*Final Value:*	$2,500,000	*Residential Sq Ft*	22,901
LP:				*Land Sq Ft*	28,345
		LTC/LTV:		*Units/Acre*	37
Program:	Tax-Exempt, Special Needs	*Perm.Loan/Cost*	7.1%	*Total Parking*	24
CHFA #:	00043N	*Perm.Loan/Value*	16.6%	*Covered Parking*	0
				Common Area	676

Project Description:

Financing Summary:

	Amount	Rate	Term
CHFA First Mortgage	$415,000	3.00%	25
City of Oakland Home	$2,033,167	3.00%	30
M HP			
H JD			
Al			
Ta	S1.734.813		
D... Fee			
CHFA Bridge	S0	0.00%	
CHFA LOAN TO LENDER	$3,150,000	3.00%	1.5

Unit Mix:

Type	Size	Number	AMI-SMI	Max Income
1 BR	530	1	20% TCAC	#N/A
2 BR	879	1	20% TCAC	#N/A
2 BR	879	2	35% TCAC	#N/A
3 BR	1054	1	35% TCAC	#N/A
1 BR	530	4	40% TCAC	#N/A
2 BR	879	2	40% TCAC	#N/A
3 BR	1054	3	40% TCAC	#N/A
4 BR	1400	2	40% TCAC	#N/A
3 BR	1054	7	45% TCAC	#N/A
		1		

Fees, Escrows and Reserves:

Escrows	Basis of Requirements	Amount	Security
Commitment Fee	1	$4,150	Cash
Commitment Fee - Loan to Lender	1	$31,500	Cash
Bond Origination Guarantee	1	$31,500	Cash or LOC
Rent Up Account	15.00%	$32,162	Cash or LOC
Operating Expense Reserve		$21,442	Cash or LOC
Marketing	10.00%	$21,442	Cash or LOC
Annual Replacement Reserve Deposit	$748	$17,953	Operations
Construction Completion Guarantee	2.50%	$94,436	Cash or LOC

Sources and Uses International Boulevard, Phase II

SOURCES:

Name of	Total Amount	Total $ per sq ft	Residential unit
CHFA First Mortgage	415,000	17.60	17,292
CHFA Bridge	0	-	0
of Oakland Home	67	86.24	84,715
MHP	1,262,165	53.53	52,590
AHP	92,000	3.90	3,833
Total **Institutional Financing**	3,802,332	161.27	158,431
Equity Financing			
Tax Credits	1,734,813	73.58	72,284
SHP		12.72	
Deferred Developer Equity	21,426	0.91	893
Total **Equity Financing**	2,056,239	87.21	85,677
TOTAL SOURCES	5,858,571	248.49	244,107

USES:

Acquisition	560,100	23.76	23,338
Rehabilitation	0	-	0
New Construction	3,432,891	145.60	143,037
Fees	272,000		11,333
Survey and Engineering	4,700	0.20	196
Const. Loan Interest & Fees	231,150	9.80	9,631
Permanent Financing	66,150	2.81	2,756
Legal Fees		2.76	2,708
Reserves	21,442	0.91	893
Contract Costs	17,500	0.74	729
Construction Contingency	394,558	16.73	
Local Fees		8.58	8,433
Costs	242,216	10.27	10,092
PROJECT COSTS	5,510,105	233.71	229,588
Developer	288,457	12.23	12,019
Consultant/Processing Agent	35,000	1.48	1,458
TOTAL USES	5,833,562	247.43	243,065

Annual Operating Budget International Boulevard, Phase II

		of total	per unit
INCOME:			
Total Rental Income	152,424	71.1%	6,351
Laundry	2,304	1.1%	96
Section 8 Income	59,688	27.8%	2,487
CommerciaVRetail	*0*	0.0%	
Gross PotentialIncome (GPI)	214,416	100.0%	8,934
Less:			
Vacancy Loss	7,736		322
Total Net Revenue	206,680	96.4%	8,612
EXPENSES:			
Payroll	28,613	14.4%	
Administrative	21,991	11.1%	916
Utilities		6.0%	496
Operating and Maintenance	12,691	6.4%	529
Social Services	59,688	30.1%	2,487
Insurance and Business Taxes	11,882	6.0%	495
Taxes and Assessments	4.600	2.3%	192
Reservefor Replacement Deposits	17,953	9.1%	748
Subtotal Operating	169,318	65.4%	
Financial Expenses			
Mortgage Payments **(1st**	23,616	11.9%	
MHP	5.310	2.7%	221
Total Financial	28,926	14.6%	1,205
Total Project Expenses	198,244	100.0%	8,260

Cash Flow International Boulevε CHFA # 00043N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rents	152,424				168.298	172,454		181.184	185.714	190,357
Subsidy					*2.50%*		*2.50%*			
Plus Increment	59,688	61,180								
TOTAL RENTAL INCOME	212,112	217,415	222,850	228,421	234,132	172,454	176,765	181,184	185,714	190,357
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	2,304	2,362	2.421	2,481	2,543	2.607	2,672	2,739	2,807	2,877
Other Income	WA	WA	N/A	N/A	N/A	N/A	WA	N/A	N/A	N/A
TOTAL OTHERINCOME	2,304	2,362	2,421	2,481	2,543	2,607	2,672	2,739	2,807	2,877
GROSS INCOME	214,416	219,776	225,271	230,303	236,675	175,061	179,437	183,923	188,521	193,234
Rate :Affordable	5m	*5.00%*	*5.*		*5.00%*		*5.00%*		*5.00%*	
Vacancy Rare :Subsidy	*0.00%*	*0.0%*	*0.*	*0.00%*	*0.00%*	*0.*	*0.*			*0.00%*
Less: Vacancy Loss	7,736	7.612	8,007	6.207	8,412	6,623	8,838	9,059	9.286	9,518
EFFECWE GROSSINCOME	206,680	211,965	217,264	222,695	228,263	166,438	170,599	174,864	179,235	183,716
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	87,077	90.561	94,183	97,950	101,868	105,943	110,181	114,588	119,172	123,938
Replacement Reserve	17,953	17.953	17,953	17,953	17.953	17,953	17.953	17,953	17.953	17.953
Annual TaxIncrease	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
ShelterPlus CamServices	59,688	59.688	59,688	59,688	59 688					
Taxes and Assessments	4,600	4.692	4.786	4.882	4.979	5.079	5.1 80	5.284	5.390	5.497
TOTAL EXPENSES	169.318	172.894	176.610	180.473	184.489	128.975	133.314	137.825	142.514	147.389
NET OPERATING INCOME	37361	39.071	40.654	42.222	43.774	37.463	37.285	37.039	36721	36327
DEBTSERWCE										
CHFA - 1st Mortgage	23,616	23,616	23,616	23,616	23,616	23,616	23,616	23,616	23,616	23,616
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan	0	0	0	0	0					
MHP Debt Service	5.301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5.301
CASH FLOW after CHFA debt	13,745	15,455	17,038	18,607	20,159	13,847	13,669	13,423	13,105	12,712
DEBT COVERAGE RATIO	1,58	1.85	1.72	1.79	1.85	1,59	1.58	1.57	1.55	1.54
CASH *FLOW after all debt service*	*8,444*	*10,154*	*11,737*	*13,306*	*14,858*	*8,546*	*8,368*	*8,122*	*7,804*	*7.411*
DCR/CHFA Debt & MHP	*1.29*	*1.35*	*1.41*	*1.46*	*1.51*	*1.30*	*1.29*	*1.28*	*1.27*	*1.26*

Cash Flow

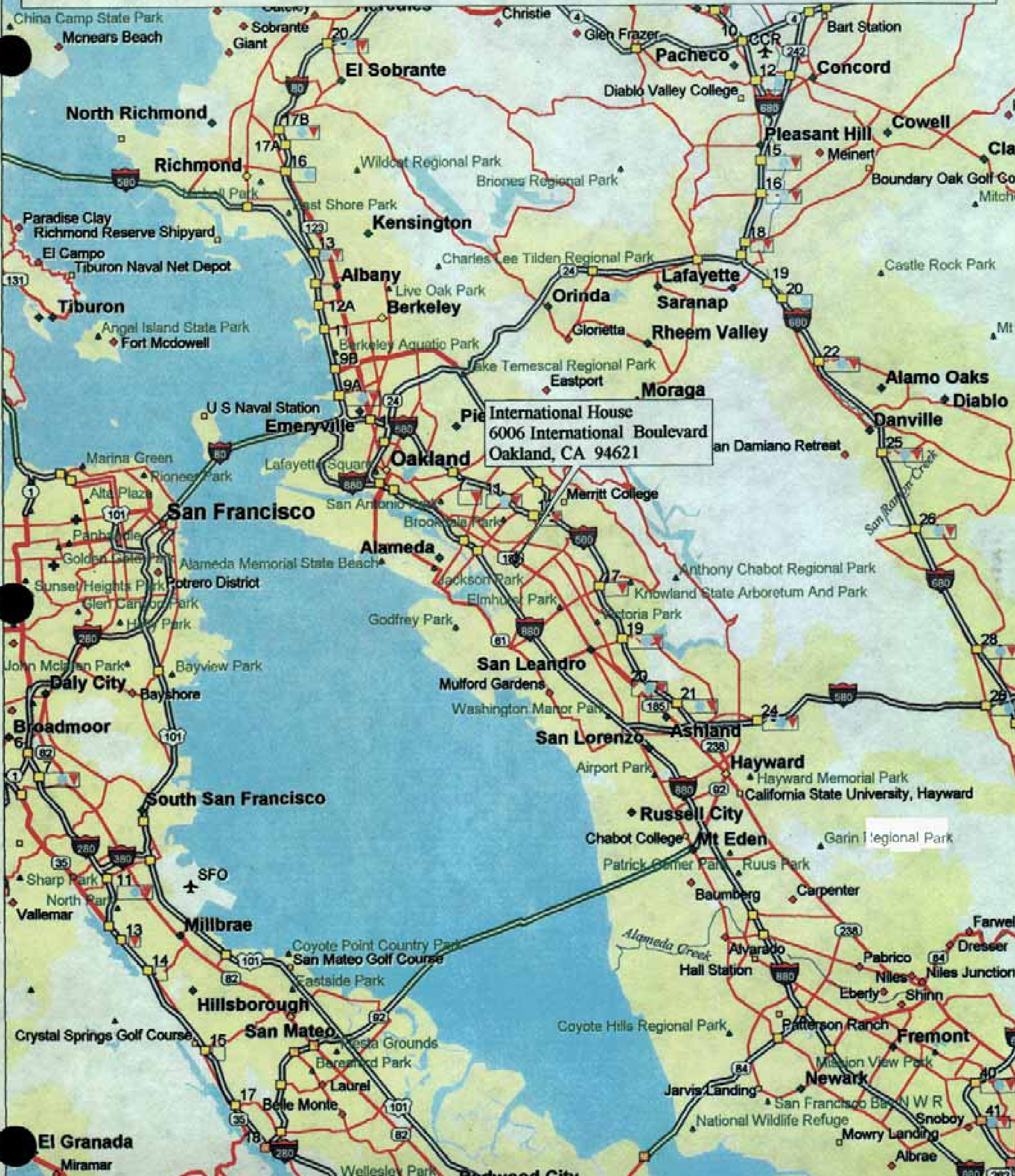
RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Affordable Rents	195,116	199,993	204,993	210,118	215.371	221.294	227,379	233.632	240.057	246.659
Subsidy Increase Shelter Plus Care Increment	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL RENTAL INCOME	195,116	199,993	204,993	210,118	215,371	221,294	227,379	233,632	240,057	246,659
OTHER INCOME										
	2.50%	2.50%								
	2,949			3,176	3,255		3,420		3.593	
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL INCOME	2,949				3,255	3,337	3,420		3.593	
GROSS INCOME			208,092		218,627	224,631				
Rate :	5.	5.				5.00%	5.00%	5.	5.	
vacancy : Subsidy	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Less: Vacancy Loss	[illegible]	[illegible]	[illegible]	10,506	10,769	[illegible]	[illegible]	11,682	[illegible]	[illegible]
EFFECTIVE GROSS INCOME	188,309	183,017	197,842	202,798	207,858	211,566	219,431	[illegible]	221,648	218,009
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	128.896		139,414							183,459
Replacement		17.953	17,953		17.953	17.953		17,953		17.953
Annual Tax Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		2.
Plus Care										
Taxes and Assessments	5,607	5,720	5,834	5,951	6,070	6,191	6,315	8,441	6,570	6,701
TOTAL EXPENSES	152,456	157,724	163,201		174,813	180,966		194,012		208,113
NET OPERATING INCOME			34,642					31,444		
SERVICE										
CHFA* Mortgage	23,616	16	23,616	23,616	23,616	23,616	23,616	23.616	23.616	23.616
CHFA Bridge Loan										
CHFA-HAT Loan										
MHP Debt Service	5,301	5,301	5,301	5,301	5.m	5.301	5,301	5,301	5.m	5.301
CASHFLOW after CHFA debt	12,237	11,677	11,026	10,279	9,430	8,985	8,453	7,828	7,108	6,280
DEBT COVERAGE RATIO	1.52	1.49	1.47	1.44	1.40	1.38	1.36	1.33	1.30	1.27
after	6.936	6,376	5.725	4.978	4.129	3,684	3.152	2,527	1,805	979
Debt	1.24	1.22		1.17	1.14	1.13	1.11	1.09		1.03

999

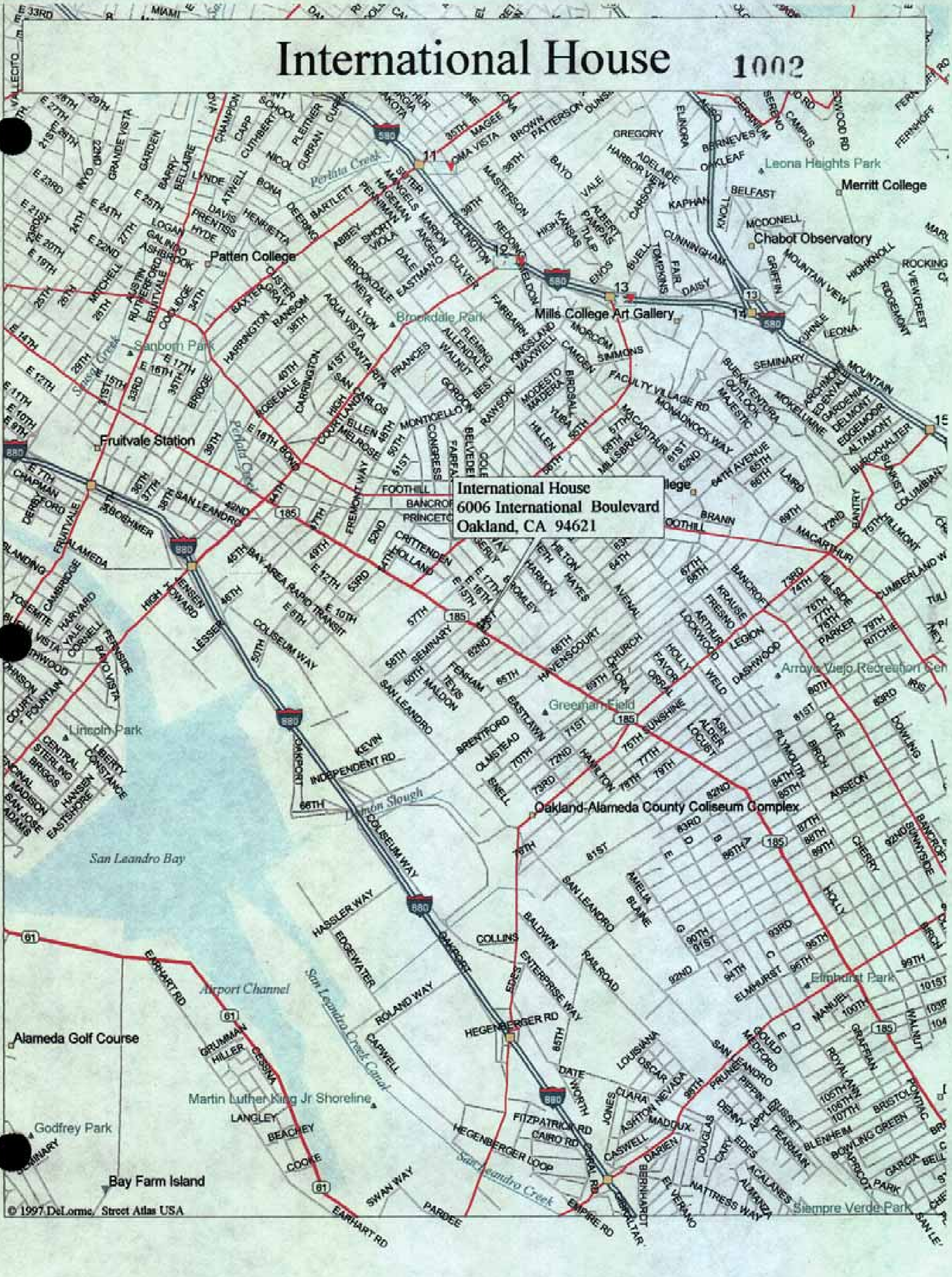
Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25
Affordable Rent Increase	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*
Affordable Rents		12	267.573	2i4.931	282.492
Shelter Plus Cam Increment					
TOTAL RENTAL	253,442	260,412	267,513	274,931	282.492
OTHER INCOME					
Other	*2.50%*	*2.50%*			*2.50%*
Laundry	3,775	3,870	3.967		4.167
Other					
TOTAL INCOME	3,775	3,870	3,967	4,066	4.167
GROSS INCOME	251,217	264,281	271,539	278,997	286,659
*VacancyRate :**Affordable***	5.m				*5.00%*
Rate :	*0.00%*				*0.00%*
Less: Vacancy Loss	12.672	13,021	13,379	13,747	14,125
EFFECTIVE GROSS INCOME	244,545	251,261	258,161	265,250	272,534
OPERATING EXPENSES					
Annual Expense Increase	4.00%	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		198.429		214.621	
Resewe	17,953	17,953			17,953
Annual		*2.00%*		*2.00%*	*2.00%*
Shelter Plus Care Services					
Taxes and Assessments	6,835	6.972	7,112	7.254	7.399
TOTAL EXPENSES		223,354	231,431	239,828	248,558
NET OPERATING INCOME	**28,959**	**27,906**	26,730	25,422	**23,977**
DEBT					
CHFA	23,616	23,616	23.616	23.616	16
CHFA **Bridge Loan**					
CHFA HAT Loan					
MHP Debt	5.m	5,301	5,301	5,301	5,301
CASH FLOW CHFA		4,291	3,114		361
DEBT COVERAGE RATIO	1.23	**1.18**	1.13	1 M	1.02
CASH** FLOW **all debt	43	***(1,010)***			
Debt	*1.00*	*0.97*	*0.92*	*0.88*	*0.83*

International House 1000



International House 1002



RESOLUTION 01-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Resources for Community Development, Inc., a California nonprofit public benefit company, or its affiliate Stanley Avenue Affordable Housing LP, a California limited partnership yet to be formed (the "Borrower") seeking a loan commitment under the Agencyls Loan-to-Leader and Special Needs Loan Programs in the amounts described herein, the proceeds of which are to be used to provide financing for a development to be known as International Blvd. Apartments (the "Development"); and

WHEREAS, the application from the Borrower has requested that the Agency provide for the financing to International Boulevard Phase 11 Development; and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 21,2001 (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 Multifdy 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 MOUNT
	International Blvd. Apartments	24	
		First Mortgage:	$ 415,000.00
		Loan-to-Lender:	$3,150,000.00

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifdy 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 Multifamily 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 01-15 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Sacramento, California.

ATTEST: ______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Loan Modification
Final Commitment
Cascade Apartments
CHFA Ln. # 00-008-N

SUMMARY:

This is a request to modify the terms and conditions of the permanent loan on Cascade Apartments, an existing 74-unit family apartment project located at 7600 Fruitridge Avenue in Sacramento. The **CHFA** Board of Directors previously approved the existing loan structure shown below on July 13, **2000,** however, due to increases in cost and a change in the basis calculation, an increase to the tax-exempt bridge loan is required.

LOAN TERMS:

	Existing Terms	Modified Terms
1st Mortgage Amount:	**$2,025,000**	**$2,025,000**
Interest Rate:	6.20%	6.20%
Term:	30 year fully amortized	30 year fully amortized.
Financing:	Tax-Exempt	Tax-Exempt
2ND Mortgage Amount: (Bridge)	$ 70,000	$ 390,000
Interest Rate:	6.20%	6.20%
Term:	1 year	1 year

PROJECT BACKGROUND

A Bridge loan increase is required in order to satisfy four percent tax credit's ***50%*** Test requirement due to increase in costs based on: a) increased rehabilitation costs and b) an increase in permits and fees charged by the City of Sacramento.

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SITE AND PROJECT:

A. Project Status:

The borrower has acquired the property and expects to begin the rehabilitation work in May **2001.** The scope of the rehabilitation has not changed the board approval.

B. Site Design:

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

The rehabilitation budget is **$1,304,999** and includes the following improvements:

- 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 air conditioning in all units
- Repair sidewalks
- Add dishwashers
- Install new light fixtures
- Upgrade signage and lighting
- Improve landscaping
- Add gated pool and spa
- Add BBQ area near pool
- Add **150** square foot storage shed
- Insulate all attic spaces
- Install new playground equipment
- Repair and reseal the parlung lot
- Repair/upgrade cabinets & countertops

C. Project Location:

The project is zoned R3 Multi-Fdy, a zoning intended for traditional types of apartments. This zone is generally located outside the central city and serves as a buffer along major streets and shopping centers.

The project is located in· the City of Sacramento, approximately 5 miles south of the downtown Sacramento area in a neighborhood commonly referred to as "Fruitridge." The neighborhood is bordered on the west by State Highway 99, on the south by 47th Avenue, on the east by Power Inn Road and on the north by Broadway Avenue. The area is largely residential with commercial uses on the major traffic arterials. Residential development in the area consists of both single-fdy homes and multi-fdy projects. The single-family homes are ranch style dwehgs with an average age between t—— to fifty years old.

Most retail stores that service the neighborhood are located on or near Fruitridge Avenue. Four local restaurants are within one mile, a convenience store is located immediately east of the site and two major grocery chains are within one mile of the project. The nearest park is one block southeast of the project.

OCCUPANCY RESTRICTIONS:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The is AFE – Cascade Associates, L.P., a California Limited Partnershp and a for-profit entity. The developer and managing general partner is A.F. Evans Company, Inc.. A.F. Evans Company has over 24 years of experience and through January 2000 has completed over 5,150 units with an additional 979 units under construction and 841 units in design.

B. Contractor

The contractor is Precision General Contractor, Inc. ("Precision") who has provided the scope of work estimates on the project and with whom they are negotiating a construction contract. Precision is a national construction company with offices in Texas, Missouri and California Precision specializes in the construction and rehabilitation of apartment buildings, includmg affordable housing. They are the contractor on Playa del Alameda, another A.F. Evans project in the CHFA portfolio that is in currently undergoing rehabilitation. Precision is also providing bids on several other rehabilitation projects being reviewed by CHFA.

C. Architect

There is no architect involved in this project. The scope of work does not warrant an architects and A.F. Evans through an independent construction manager, will supervise the work. Mogavero Notestine is the architectural firm selected to design the pool, spa and landscaping.

D. Management Agent

Evans Property Management, Inc., a subsidiary of A.F. Evans Company currently manages the project. Evans Property Management currently manages over 32 projects with over 4,974 units. Included in this number are 10 CHFA projects with a total of 837 units.

Project Summary

Date: 22-Feb-01

Project Profile:

Project: Cascade Apts.
Location: 7600 Fruitridge Ave
Sacramento
County/Zip: Sacramento
Borrower: AFE - Cascade Associates
GP: A.F. Evans Companys, Inc.
LP: TBD

Program: Tax Exempt
00-008-N

Appraiser: Timothy Wright, MAI
Palmer, Groth & Pietka
Cap Rate: 9.00%
As-Is Value $ 2,550,000
After Rehab $ 2,800,000
Final Value: $ 2,800,000

LTC/LTV:
Loan/Cost 425%
72.3%

Project Description:

Units	74
Handicap Units	2
Bldge Type	Acq/Rehab
Buildings	69
Stones	283
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		30
CHFA Bridge	$390,000	$5,270	620%	1
Contributions From Operations	$0			
Tax Credit Equity	$1368,446	$2 95		
Developers Cash	$0	$0		
Deferred Developer Equity	$175,958	2,378		
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
2 BR	720	4	50%	$553	$23,800
1 BR	600	42	60%	$479	525,380
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	125%	of Loan Amount	$30.188	Cash
Finance Fee	125%	of Loan Amount	$30,188	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	624,150	Letter of Credit
Rent Up Account	0.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$47,825	Letter of Credit
Marketing	0.00%	of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	$307	Per Unit	$22.7 18	Operations
Initial Deposit to Repl. Res.		Lump sum	$37,000	Cash
Transition Reserve		Lump sum	$100,000	Cash Flow
Standby Operating Reserve			$450,000	Cash Flow

Sources and Uses

Cascade Apts.

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	13,5 14
Contributions From Operations	-	0
Total Institutional Financing		40,878
Equity Financing		
Tax credits	1,568,446	21,195
Developers Cash	0	0
Deferred Developer Equity	175,958	2,378
Total Equity Financing	1,744404	
TOTAL *SOURCES*		64,451

USES:

Acquisition	17,175	16
Rehabilitation	1,304,999	17,635
New Construction	0	0
Architectual Fees	44,000	595
Survey and Engineering	12,000	162
Const, Loan Interest & Fees	30,000	405
Permanent Financing	95,055	1,285
Legal Fees	25,000	338
Reserves	86,825	1,173
Contract Costs	10,900	147
Construction Contingency	188,700	2,550
Local Fees	55,000	743
TCAC/Other Costs	92,696	1,253
PROJECTCOSTS	$4462,350	60,302
Developer Overhead Admin Fee	307,054	4149
Consultant/Processing Agent	$0	0
TOTAL USES	$4,769,404	64,451

Annual Operating Budget — Cascade Apts.

		$ per unit
INCOME:		
Total Rental Income	544,848	7,363
Laundry	3,552	48
Other Income	0	-
CommerciaVRetail	0	-
Gross Potential Income (GPI)	548,400	7,411
Less:		
Vacancy Loss	12,710	172
		-
Total Net Revenue	535,690	7,239
EXPENSES:		
Payroll	72,592	981
Administrative	31,707	428
Utilities	44,840	606
Operating and Maintenance	30,899	418
Insurance and Business Taxes	6,032	82
Taxes and Assessments	51,915	702
Reserve for Replacement Deposits	22.7 18	307
Subtotal Operating Expenses	260,703	3,523
Financial Expenses		
Mortgage Payments (1st loan)	148.830	2,011
Total Financial	148,830	2,011
Total Project Expenses	409,533	5,534

Cash Flow — Cascade Apts.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sec. R 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
A 'ordable 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
OTHERINCOME										
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	4.0 I9	4.119	4.222	4,328	4.436
Commercial	NIA	NIA	NIA		NIA	NIA	NIA		NIA	NIA
TOTAL OTHER		3,641	3,732	3,825		4,019	4,119	4,222		
CROSS INCOME	548,400	455,202	466,582	478347	490,203	502,458	$15,019	527,895	541,092	554,620
Vucuncy Rate :Sec R	1.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vucuncy Rate :Affordable	2.50%	5 . m	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	12.710	22.760	23,329	23,912	24.510	25.123	25.751	26395	27.055	27.731
EFFECTIVE GROSS INCOME	535,690	432,442	443,253	454334	465,693	477,335	489,268	501,500	514,038	526,889
OPERATING EXPENSES										
Annuul Expense Increase	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	209570	217,953	226,671	235.738	245.167	254,914	265.173	275.780	286,811	298283
Replacement Reserve	22.718	22.7 I8	22.718	22.718	22.7 I8	23.854	23,854	23.854	23.854	23,854
Annuul Tux Increase	2 . m	2.00%	2.00%	2 . m	2.00%	2.00%	2.00%	2 . m	2.00%	2.00%
Taxes and Assessments	7.8414	128.083	7.9461	30 154	30 747	31 777	32 000	32.640	33.791	33 949
TOTAL EXPENSES	260,703	269.654	278.952	238.610	298.642	310.200	321.027	332.273	343.957	356.096
NET OPERATING INCOME	7.74987	162,788	164.301	16.725	167.050	167114	168147	169777	170.080	170.793
DEBTSERVICE										
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	414,180									
CASHFLOW after debt service	126,157	13,958	15,471	16,895	18,220	18,305	19,412	20,397	21,250	21,963
Transition Reserve	100,000									
Cumulative Reserve Bal.										
DEBT COVERAGE RATIO	1.11	1.09		1.11	1.12	1.12	1.13	1.14	1.14	
Net Residual			15,471				19,412			21,963

Cash Flow

		1	2012		2014	2015	2016	2017	2018	2019
Sec. R Increate	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	NIA	N/A	NIA	NIA	NIA	NIA
Increase	2.50%				2.50%				2.50%	2.50%
Affordable Rents	563.938	578.037	592.488	607.300	622.482		653.995	670.345	687.104	704.282
TOTAL RENTAL INCOME	5639938	578,037	592,489	607,300	622,482		653,995	670,345		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	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	N/A	NIA
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	612,186	627,501	643,189	659568	675,750	692,644	709,960
Vacancy Rare :Sec R	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vucuncy Rate :Affordable	5 . m	5 . m	5 . m	5.00%	5 . m	5 . m	5 . m	5 . m	5.m	5.00%
Less: Vacancy Loss	28.424	29.135	29.863	30.610	31.375	32.159	32.963	33.783	34.632	35.498
EFFECTIVE GROSS INCOME	540.061	553562	567.401	581,586	5%. 126	611.029	626.305	641.963	658.012	674.462
OPERATING EXPENSES										
Annual Expense Increase	4 . m	4.m	4.00%	4 . m	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%
	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 Increate	2.00%	2 . m	2.00%	2 . m	2 . m	2.00%	2 . m	2 . m	2.00%	2 . m
Taxes and Assessments	34,638	35330	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

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Cash Flow

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sec. R Increase	*N/A*	*N/A*	*N/A*	*NIA*	*N/A*	*N/A*	*NIA*	*N/A*	*N/A*	*NIA*
Surplus Sec. 8 Income	N/A	NIA	NIA	NIA	N/A	NIA	NIA	NIA	NIA	NIA
Affordable Rent Increase	***3.00%***	*3.00%*	***3.00%***	*3.00%*	*3.00%*	***3.00%***	*3.60%*	***3.00%***	*3.00%*	*3.00%*
Affordable *Rents*	721.889	743.945	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			*2.50%*		*2.50%*	*2.50%*		*2.50%*		*2.50%*
Laundry	5.820	5,966	6115	6.268	6,425	6,585	6,750	6919	7.092	7269
Commercial	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	N/A	NIA
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**
	0.00%	*0.*		*0.00%*			*0.*	*0.m*	*0.*	
Rate I			*5 . m*	*5.00%*	*5.*		5 . m			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		712036		755.340	777.971		825.286	850.013	875.481	901.711
OPERATING EXPENSES										
	4 . m	*4.00%*		*4.00%*		*4.00%*	*4.00%*	*4.00%*		
Expenses	459. 193	477.561		16.530	537.191	558,679	58		628.438	653.575
Replacement Reserve	27.614	27.614	276	27.614	27.614	28.995	28.995	28,995	28.995	28.995
Annual Tax Increase	*2 . m*	***2.00%***	***2.00%***	2 . m	***2.00%***	***2.00%***	***2.00%***	*2 . m*	***2.00%***	*2 . m*
Taxes and Assessments	42.223	43.068	43.929	**44.808**	45.704	46.618	47550	48.501	49.471	50.461
TOTAL EXPENSES	529.031	**548.243**	**568.207**	588.952	610.509	6.34391	657.571	681.763	706.904	733033
NET OPERATING INCOME	**162.293**	163.793	**165.162**	166.389	167.462	**166.988**	**167.716**	**168.250**	**168.577**	**168.681**
DEBT										
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

Cash Flow

	2030
Sec. R Increase	NIA
Surplus Sec. 8 Income	NIA
Affordable Rent Increate	3.00%
Affordable Rents	970.158
TOTAL RENTAL INCOME	970,158
OTHER INCOME	
Other Income Increase	2.50%
Laundry	7.451
Commercial	NIA
TOTAL OTHER INCOME	7,451
CROSS INCOME	977,608
Vucuncy Rate :Sec R	0.00%
Vacancy Rate :Affordable	5.00%
s: Vacancy Loss	48,880
FECTIVE CROSS INCOME	928,728
OPERATING EXPENSES	
Annuul Expense Increase	4 . m
Expenses	679.7 19
Replacement Reserve	28,995
Annuul Tax Increase	2 . m
Taxes and	51 470
TOTAL	4 183
NET OPERATING INCOME	168,545
DEBT SERVICE	
CHFA - Ist Mortgage	148,830
CHFA - Bridge	
CASHFLOW after debt service	19,715
Transition Reserve	
Cumulative Reserve Bal.	
DEBT COVERAGE RATIO	1.13
Net Residual Cashflow	19,715

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Executive Summary

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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

	Final	Per Unit
Permanent		
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	$1,638,094	$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			

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1019 # 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 tbe 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:	1st Mortgage	2nd Mortgage
Loan Amount:	$2,025,000	$ 70,000
Interest Rate:	6.20%	6.20%
	30 years	Year
Financing:	Tax Exempt	Tax Exempt

GOVERNMENT INVOLVEMENT.

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

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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 8 units.

Conversion Scenario: Upon expiration of the *HAP* contract, the majority of residents be to remain a mix of Section and tax for (or longer), on the rate of turnover. of the HAP contracts continuing after expiration, staff is requiring a standby operating to subsidize project *costs* in the event the tenant profile changes Section 8 to a traditional tax- bond / tax credit rent Funding of this Standby Account will come from excess project cash and up to $450,000 in Agency funds subject to the tern 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 ABI TION:

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 wilt occur as tenants vacate the units. Once units rehabbed, the existing tenants will be relocated into the newly renovated units. The Agency will compliance with any and all applicable provisions of the Relocation Act.

MARKET DEMAND:

The project's primary market area (PMA) is considered to be within a one-mile radius of the site when 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 home prices averaging the proposed will provide the PMA population with an affordable housing option. As of April 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 bas 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. emphasis is on apartment and

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

Rent	Section 8 Rents	CHFA Rents	Market Rate	Amount of	Percentage
One					
50%	$590	$479	$525	$46	91%
60%	$590	3479	$525	346	91%
Two bedroom					
50%	$657	$553	$625	$72	88%
60%	5684	$553	$625	S72	88%

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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 ken ordered. Any recommendations from these *reports* will he incorporated into the final scape 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: AF. 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, Recision 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 scape 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 Writs.

Project Summary

Date: 26-Jun-00

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Project Profile:

Project: Cascade Apts.
Location: 7600 Fruitridge Ave
Sacramento
unty/Zip: Sacramento
Borrower: AF Evans Co.
GP: TBD
LP: Lend Lease

Program: Tax Exempt
CHFA #: 00-008-N

Appraiser: Timothy Wright, MAI
Palmer, Groth & Pietka
Cap Rate: 9.00%
As-Is Value $ 2,550,000
After Rehab $ 2,800,000
Final Value: $ 2,800,000

LTC/LTV:
Loan/Cost 44.4%
Loan/Value 72.3%

Project Description:

Units	74
Handicap Units	2
Bldge Type	Acq/Rehab
Buildings	69
Stories	2 & 3
Gross Sq Ft	48,414
Land Sq Ft	111.078
Units/Acre	'
Total Parking	79
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
Permanent				
CHFA First Mortgage	2,025,000	$27,365	620%	S0
CHFA Bridge	870,000	8946	6.20%	1
Contributions From Operations	$0	$0	0.00%	
Tar Credit Equity	$1,538,094	$20,785	0.00%	
Developers Cash	S0	80	0.00%	
Deferred Developer Equity	$0	-	0.00%	
HCD Loan	1,000,000	$13,514	3.004	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	825,380
2BR	720	17	60%	8553	$28,560
2BR	720	1	Manager	8553	S0
		74			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.25%	of Loan Amount	$26,313	Cash
Finance Fee	1.25%	of Loan Amount	826,313	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	[illegible],950	Letter of Credit
Rent Up Account	2.[illegible]%	of Gross Income	$11,956	Letter of Credit
Operating Expense Reserve	10.[illegible]%	of Gross Income	$47,[illegible]	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		Per
CHFA First Mortgage	2,025,000	27,365
. CHFA Bridge	-	0
HCD Loan	1,000,000	13,614
Contributions From Operations	-	0
Equity Financing		
Tax Credits	1,638,094	20,785
Developers Cash	0	0
Deferred Developer Equity	0	0
Equity Financing		20,786
TOTAL		

USES:

Acquisition	2,520,000	0
Rehabilitation	1,284,999	17,365
New Construction	0	0
Fees	68,750	929
Survey and Engineering	28,750	S89
Fees	49,842	674
Permanent	70,465	952
Legal Fees	20,000	270
Reserves	114,491	
Contract Costs	10,900	147
Contingency	170,100	2,299
Local Fees	80,000	405
TCAC/Other Costs	92.606	1.251
PROJECT COSTS	$4,460,903	
Developer Overhead Admin Fee	102,191	1381
Consultant/Processing Agent	$0	0
TOTAL USES	$4,563,094	61,663

Annual Operating Budget Cascade Apts.

INCOME:

		% of total	$ per unit
Total Rental Income	544,848	99.4%	7,363
Laundry	5,552	0.6%	48
Other Income	0	0.0%	-
	0	0.0%	-
Gross (GPI)			7,411
Vacancy Loss	12,710	2.3%	172
Totd Net			7,239

EXPENSES:

Payroll	72,692	17.7%	981
Administrative	31,707	7.7%	428
Utilities	44,840	10.9%	606
Operating and Maintenance	30,899	7.6%	418
and Business Tares	6,032	1.6%	82
Taxes and Assessments	61,915	12.7%	702
Reserve for Replacement Deposits	22,718		307
Subtotal Operating	260,703		
Financial Expenses			
Mortgage Payments loan)	148,830	36.3%	2,011
			11
Expenses	409,533		

Cash Flow

	2000	2001	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%*	
Affordable Rents	444,888	451,561		474.422	486.282	498,439		523,673		
TOTAL RENTAL INCOME	544,848							523,673	536,765	
OTHER INCOME										
Other Income Increase	*2.50%*							*2.50%*	*2.50%*	
Laundry	3,552	3.64 1	$732			4,019.	4,119'	4,222	4,328	4,436
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	NIA	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%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Vacancy** Rate **:Affordable	*2.50%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	6.W	*5.00%*
Less: **Vacancy** Loss	12,710	22,760	23,329	23,912	24,510	25,123	25,751	26,346	27,055	27,731
EFFECTIVE GROSS INCOME	535,690	432,442	443,253	454,334	465,693	477,335	489,268	501,500	514,038	526,889
OPERATING EXPENSES										
Annuol Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses					245.167					
Reserve	22,718	22.718	22.718	22.718	22.718	23,854				
Tax					*2.00%*	2.W				
Taxes and Assessments	28,415	28,983	29,563	30,154	30,757	31,372	32,000	32,640	33293	33,959
TOTAL EXPENSES	260,703	269,654	278,952	288,610	298,642	310,200	321,027	332,273	343,957	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	148,030	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	21,250	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	1.11)
Net Residual Cub ——	26,157	13,958	15,471	16,895	18,220	18,305	19,412	20,397	21,250	21,963

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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%
	4,547	4,661	4.m	4,896	5,019	5,144	5,273	6,406	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	5,406	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	29,138	29,863	30,610	31,375	32159	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.m	4.m	4.00%	4.00%	4.00%	4.00%
	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	26,047	25.047	25.047	26.299	26,299	26,299	26,299	26,299
Annual TarIncrease	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.m	2.m	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	NIA	NIA	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 . m	*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%*			
Laundry						6,585	6,750	6,919		
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 . m	*4.00%*	4 . m	*4.00%*	*4.00%*	4 . m	*4.00%*	*4.00%*	4 . m	*4.00%*
Expenses	469,193				637,191				828,438	
	27.6 14		27.614	27.614	27.6					
Annual Tax Increase						*2.00%*				
Taxes and Assessments	42,223	43,068	43,929	44,808	46,704	46,618	47,550	48,601	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

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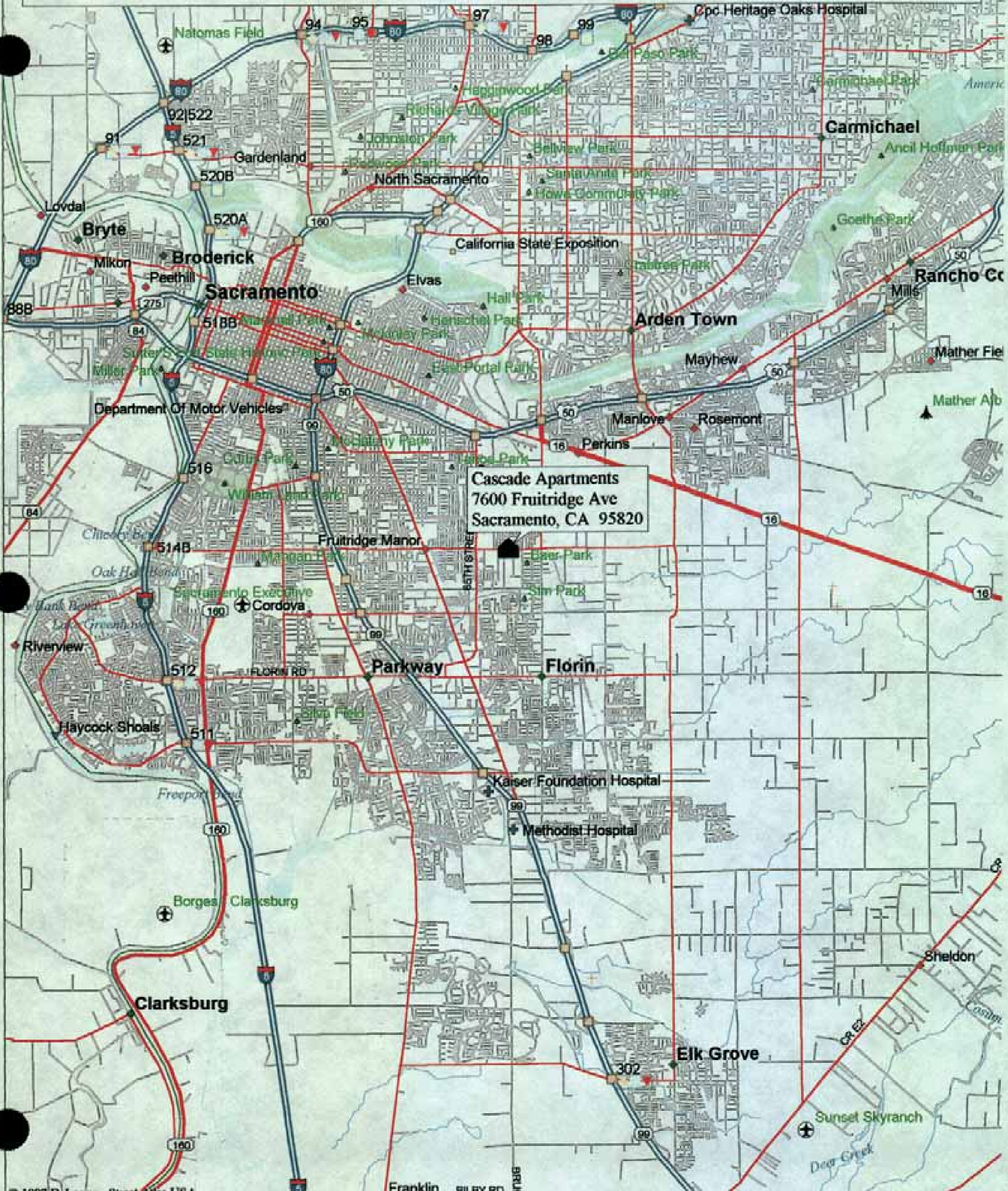
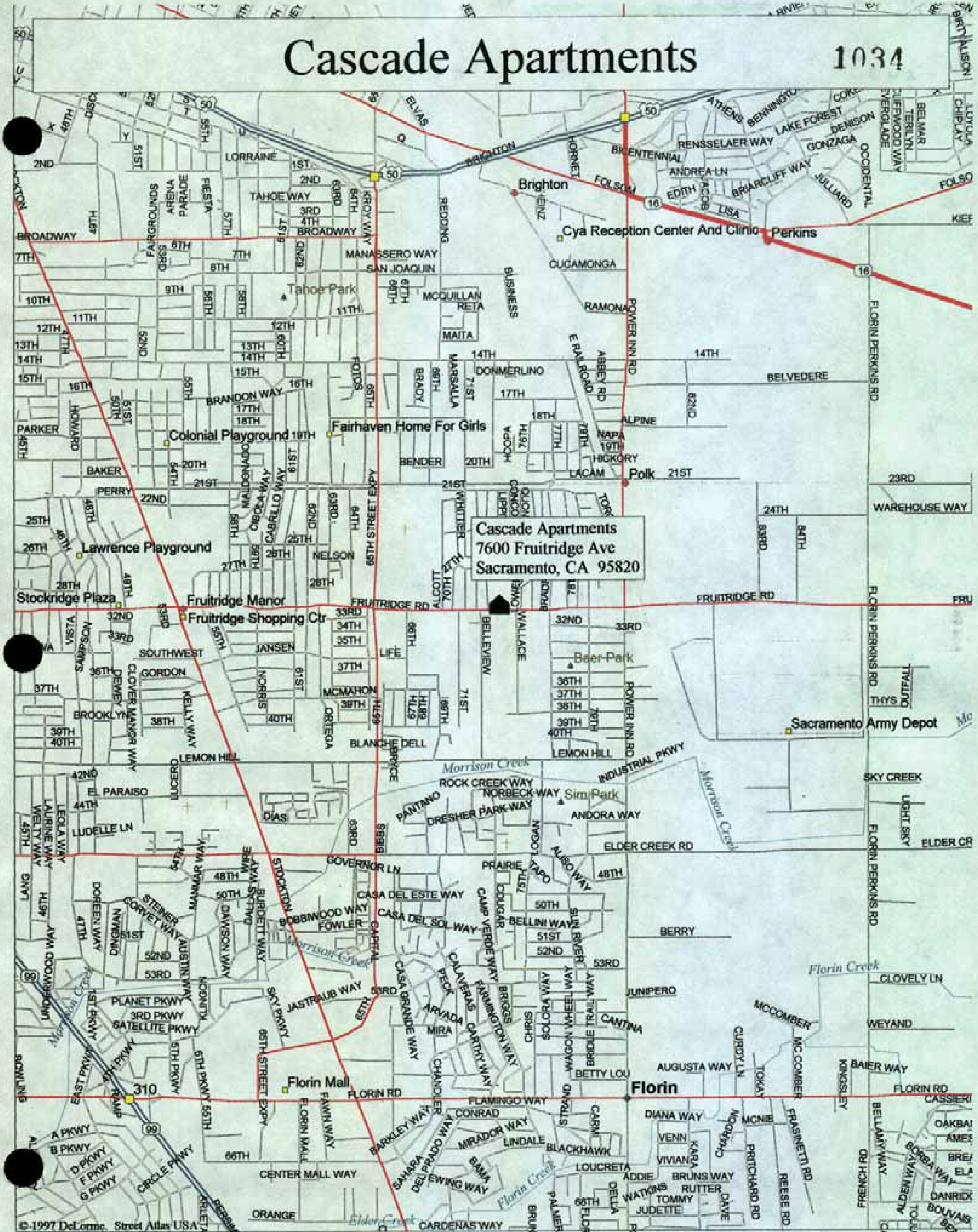


Cascade Apartments 1034



RESOLUTION 01-16

RESOLUTION AUTHORIZING A FINAL
LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") previously received a loan application from AFE - Cascade Associates, L.P., a California limited partnership (the "Borrower"), a loan commitment under the Agencyls Tax-Exempt Loan Program, the proceeds of which were to be used to provide a mortgage loan for a development to be as Cascade Apartments (the "Development"); and

WHEREAS, the Agency Board of Directors (the "Board") authorized, pursuant to Resolution **00-17,** a final loan commitment for the Development; and

WHEREAS, a modified loan application has now been submitted by the Borrower and reviewed by Agency staff which has prepared its report dated February **22, 2001** (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 detennined that a modified final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NO.	DEVELOPMENT NAME/ Y	NO. UNITS	MORTGAGE AMOUNT
00-008-N	Cascade Apartments	**74**	
			Tax-Exempt Bridge: $ **390,000**

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

3. All other material modifications to the final commitment, including changes in mortgage amount of more than seven percent must be submitted to the Board for approval. "Materialmodifications" as used herein means modifications which,. in the discretion of the Executive Director, or in absence, either the Chief Deputy Director or the Director of Multifdy 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 01-16 adopted at a duly constituted meeting of the Board of the Agency held on March 8, 2001, at Sacramento, California.

ATTEST:________________
Secretary