# CHFA BOARD OF DIRECTORS

Tuesday, June 26, 2001

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California
(916) 446-0100

9:30 a.m.

| NUMBER | DEVELOPMENT | LOCALITY | UNITS | |
|---|---|---|---|---|
| 99-019-N | Redwood Oaks Apartments | Redwood City/ San Mateo | 36 | |
| **Resolution 01-24** | | | | 914 |
| 01-017-N | Los Gatos Creek | Los Gatos/ Santa Clara | 12 | |
| **Resolution 01-25** | | | | 932 |
| 00-038-N | Pickleweed Apartments | Mill Valley/ Marin | 32 | |
| **Resolution 01-26** | | | | 948 |
| 01-019-N | San Jose Portfolio | San Jose/ Santa Clara | 98 | |
| **Resolution 01-27** | | | | 966 |
| 01-022-N | Sycamore Square | Hayward/ Alameda | 26 | |
| **Resolution 01-28** | | | | 1022 |

5. Discussion of status of AB 999.

6. Other Board matters/Reports ........................................................................

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

8. Presentation: Discussion of CHFA's interest rate risk exposure as presented to the credit rating services on June 20, 2001. (Ken Carlson, Director of Financing, and David Notkin, Director, Merrill Lynch & Co.)............................................................ 1040

**NOTES**

HOTEL PARKING: Parking is available as follows: (1) limited valet parking is available at the hotel; and (2) city parking lot is next door at rates of $1.50 per hour for the first two hours, $1.00 per additional hour, with a maximum of $13.00.

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be September 13, 2001, at the Hilton Burbank Airport & Convention Center, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

Burbank Airport Hilton & Convention Center
2500 Hollywood Way
Burbank, California

Thursday, May 17, 2001
9:30 a.m. to 12:52 p.m.

Reported and Transcribed by: Ramona Cota e

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# A P P E A R A N C E S

**Directors Present:**

CLARK WALLACE, Chairman

EDWARD M. CZUKER

ROBERT N. KLEIN II

ANGELO R. MOZILO

PAT NEAL

THERESA A. PARKER

BILL PAVAO

JEANNE PETERSON

TONI SYMONDS

**Staff Present:**

TOM HUGHES, General Counsel

JOJO OJIMA

**For the Staff of the Agency:**

KENNETH R. CARLSON

RICHARD A. LaVERGNE

DIANE RICHARDSON

JACKIE RILEY

JOHN G. SCHIENLE

JERRY SMART

LINN G. WARREN

**Members of the Public:**

VINCENT JOSEPH, Homeowner

RONALD KINGSTON, California Association of Realtors

I N D E X

P R O C E E D I N G S

THURSDAY, MAY 17, 2001 BURBANK, CALIFORNIA 9:30 A.M.

CHAIRMAN WALLACE: Okay, I would like to call this meeting of the California Housing Finance Agency to order. Let's see who is here and who is not. The secretary will call the roll; we'll find that out.

**ROLL CALL**

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

MS. PETERSON: Here.

MS. OJIMA: Mr. Pavao for Ms. Bornstein?

MR. PAVAO: Here.

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

MS. NEAL: Here.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Here.

MS. OJIMA: Ms. Easton?

(No response).

MS. OJIMA: Ms. Hawkins?

(No response).

MS. OJIMA: Mr. Hobbs?

(No response).

MS. OJIMA: Mr. Klein?

MR. KLEIN: Here.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Here.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. OJIMA: Mr. Gage?

(No response).

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

MS. SYMONDS: Here.

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN WALLACE: That's encouraging. And welcome to Bill Pávao representing HCD and Toni Symonds representing OPR.

MS. SYMONDS: Yes.

CHAIRMAN WALLACE: We are delighted to have you with us. Feel free to dominate the meeting.

MS. SYMONDS: You might regret that.

MS. NEAL: You will regret that.

CHAIRMAN WALLACE: I have.

**APPROVAL OF THE MINUTES OF THE MARCH 8, 2001 MEETING**

Let me call for approval of the minutes of the March 8 meeting. I think I had an item or two but if someone wants to put a motion on the table we'll --

MR. CZUKER: So moved.

CHAIRMAN WALLACE: Okay, is there a second?

MR. MOZILO: Second.

CHAIRMAN WALLACE: Mr. Czuker. With a second, Mr. Mozilo. Is that right, Angelo?

MR. MOZILO: That's right.

CHAIRMAN WALLACE: Okay. Any corrections, deletions, additions? Terri.

MS. PARKER: Mr. Chairman, on page 152 under my comments at the top of the page --

CHAIRMAN WALLACE: Hang on. Page 152 is really -- in the lower right.

MS. PARKER: Yes, I'm sorry.

CHAIRMAN WALLACE: Okay.

MS. PARKER: Page 854 if you're looking at the --

CHAIRMAN WALLACE: At the official numbers. Page 854, upper right hand corner.

MS. PARKER: Line 4. The sentence above it start "of a forgivable loan." It should be, "of a forgivable loan interest." We are not forgiving the loan, we are just forgiving the interest.

CHAIRMAN WALLACE: Okay, we will add on line 4, after the word ***loan*** we will add the word ***interest.*** Any other changes? I have one on 713 on line 10. It should be risks ***attendant,*** A-N-T instead of ***attended,*** E-D. On page 716, line 6: "Serve a broader array of people than ***we*** serve" not "***they*** serve." I might have said ***they*** but I meant ***we.*** And those are earth shattering changes, I know. That was 716, line 6. Substitute for the word ***they***, between *than* and ***serve***, the word ***we*** instead of ***they***.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: As in, we have found the enemy and they is us. You don't have to put all that down.

MR. HUGHES: It's on the record.

CHAIRMAN WALLACE: Yes. Let's see if there was anything else by anyone? I think those were --

MR. PAVAO: Actually --

CHAIRMAN WALLACE: Yes.

MR. PAVAO: Just one. On page 839.

CHAIRMAN WALLACE: Okay.

MR. PAVAO: It is a quote from our esteemed Director and she was making reference to the Southern California Association of Governments and she used the acronym SCAG. It was spelled phonetically on line 17 as SKAG and I just thought that ought to be corrected to S-C-A-G.

CHAIRMAN WALLACE: Well, I invited you to dominate.

MR. PAVAO: And now that I'm started --

CHAIRMAN WALLACE: A wholesale housecleaning? Okay, any other corrections, additions, deletions? Hearing none the Chair will accept a motion to adopt the minutes.

MR. CZUKER: The motion is on the table.

CHAIRMAN WALLACE: Czuker and --

MS. OJIMA: Mr. Mozilo.

CHAIRMAN WALLACE: The motion is on the table, you bet. Okay, any discussion on the motion by the Board or the audience? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Mr. Pavao?

MR. PAVAO: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: The minutes have been approved.

CHAIRMAN WALLACE: Okay, the minutes of the March 8, 2001 meeting have been approved.

**CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS**

Item 3, Chairman or Executive Director comments. I'm going to suggest that we discuss AB 999 on a CaHLIF proposal under Item 7. It's not officially on the agenda;

there will be no action taken today. We promised at the last meeting that we would give you more information on it, whether or not we choose to take action at some point in the future. I will tell you we can't today but I want you to -- We sent you some information, our analysis and our executive summary that Mr. Mozilo had requested at the last Board Meeting, and I want, at least, a discussion, but no decision today. Let's do that under Item 7, which is for other Board matters and reports not otherwise agendized.

Terri, did you have any items?

MS. PARKER: Just very briefly. What I wanted to announce was at a previous Board Meeting we had talked about, and been given authority to enter into, a marketing contract for the School Facilities Fees Program that the Legislature and the Governor signed several years ago to have CHFA run for new constructions, both on the home ownership side and the rental side. We had talked about that before we went and entered into a marketing contract, that we would talk to a couple of Board Members about the direction that we were proposing for that marketing contract. We did select a bidder and we negotiated a phased approach. I talked to Mr. Wallace and Carrie Hawkins about it.

The issue is somewhat moot at the moment, though, because Monday when the Governor's May revision came out, many of you may know that there was a significant change in forecast of revenues from the January budget. The forecast has changed, basically predominantly, because of the change in capital gains, so personal income tax revenues, there's a shortfall. The Governor went through his January budget and looked for items that are an expansion of programs so that he could preserve education, public safety, health and human services, emergency care-type programs. So the Governor proposed to essentially take the general fund that was committed to this program and eliminate it. So we have, essentially, suspended action on it. There is no point in doing a marketing effort for a program that we are not going to be operating.

It is still in our Business Plan. That, and also the other general fund funded program for down payment assistance. The budget shows a reduction of $18 million from a program that was appropriated last year for $50 million. When we get to the Business Plan for **CHFA's** budget it will still be reflected. Our intention is, essentially, to come back after the budget is enacted to make the changes. The Business Plan will reflect we will not need staff resources for those activities. Mr. Chairman, I think that concludes my comments.

CHAIRMAN **WALLACE**: Thank you.

JoJo has suggested I tell you, you can park here for $8.25 if you use one of these stickers, and we have got stickers available. So those of you who drove in ought to pick up a sticker, or ask JoJo for one.

Vincent Joseph, are you here? Vincent, I'm trying to decide -- Vincent is a member of the public who wanted to discuss with the Board a housing problem that he has with CHFA. I'm trying to figure out about how much time and where to have you. I don't want to hold you until the end of the agenda and have you sit through a lot of stuff that you didn't want to necessarily go through. I'm sure you would love it, but. About how much time do you think you'll need?

MR. JOSEPH: Roughly 10, 15 minutes, sir.

CHAIRMAN WALLACE: Normally I would put you in with Item 7, which would put you in the end of the morning. I have high hopes of getting us out of here by noon today. We have basically three items on the agenda. We do want to discuss AB-999. Well, we have four. We have our liability D&O coverage that we talked about at the last meeting that we are going to try and summarize, bring to a head. We have, of course, the Business Plan, and we have the budget. My sense is that -- And we have no projects today. There's going to be a barrelful at the June meeting.

But I believe we can be out of here by noon, and there's some good reasons. Terri needs to be at a two o'clock meeting, maybe you do too, and etcetera. So I have high hopes we can get out at noon or before. That's why I'm inquiring. I'm sensitive. We have got some important things to do. I want to hear from you. If we can limit it to 10 or 15 minutes, the quicker the better, I'm inclined to take you now and then you're free to go and not have to sit through the rest of the stuff.

MR. JOSEPH: If that's okay with you.

CHAIRMAN WALLACE: Yes. Why don't you come up then. Is that okay with you, that time frame?

MR. JOSEPH: Yes, sir.

CHAIRMAN WALLACE: Let's take Vincent Joseph at this time. And there's a chair and a mike there, Vincent. We welcome your comments.

**PUBLIC TESTIMONY**

MR. JOSEPH: Thank you, Mr. Chairman, Board and constituents. First of all, my name is Vincent Joseph. I'm a homeowner. I have a mortgage through CHFA, financed through CHFA, beginning August of '91. I'm an accountant and I currently have some real estate experience. The reason I'm here in front of you today is because of a problem. I don't know what else to do but come to the Board Members--I'm a little nervous, excuse me--and discuss, briefly, my problem.

I have a townhome, a **PUD**, legally. I live in the City of West Covina. My townhome actually butts up against a slope, north of a slope in West Covina. The slope is failing. I have cracks in my walls horizontally and vertically. Cabinets are moving away from the walls. Door seals and windows don't close properly. This has been going on for at least four to five years. The complex I live in is Shadow Oak Villa 111. The homeowners association filed a claim with the city in March of '96, it was denied. We filed a claim in July of '96, it was denied. They filed a lawsuit in November of '96, they settled out of court for $189,000 in June of 2000.

I was under the impression that the association would be doing some repairs on my property. I come to find out that they, basically, think that the lawsuit is for the common interest only, even though my unit, which is the most damaged unit in the complex, was referenced in both claims as well as the legal lawsuit. I filed claim with the City of West Covina last week. I filed a claim with the insurance company, State Farm Insurance, through the homeowners association. The association is telling me they are not going to honor my claim.

I have been dealing with a couple of your representatives, Bob Bastien, Stephanie Stafford, over the last month and a half. I'm trying to summarize this. I do have documents for you also. At this point I sent a letter to Mr. Bob Bastien and Stephanie Stafford to advise them in detail of exactly what is going on with my situation. I would like to also say that I am an excellent credit risk, I have never been past due. I have verification of my credit report with me if any of you choose to look at it. I have been working since 1985, I have never been past due on any bill. I am trying to explain to you that I am an excellent credit risk so it's not any other problems.

As of June 1, in the letters I sent to CHFA, I will stop making payments on my mortgage. I am the kind of individual that upholds my responsibilities. I pay every debt exactly as owed, honored based upon the agreements. I have never been past due. I have no other choice. I don't know what else to do. I have been doing a lot of homework. I realized there was a Board Meeting today and I wanted to present my case to you all, not knowing what you can do, but to let you know that I'm trying, in good faith, to do something. Work out some type of arrangement or something. Because nobody wants to help me and I'm at a loss.

I do have some documents here I'm going to pass out. I have five copies; I apologize for not having any more. I'm going to pass out one to the Chairman of the Board and the other four can be circulated.

MS. PARKER: Mr. Joseph, JoJo can take those and pass them out for you.

MR. JOSEPH: Okay.

MS. OJIMA: Thank you.

MR. JOSEPH: So I have put together an extensive paper trail on all the entities I have been dealing with, the City of West Covina, State Farm Insurance, the homeowners association. I have documents and legal descriptions of anything you probably need to ask questions on. APN numbers of my property, tract number, lot number, copies of my claims to State Farm Insurance, copies of my claims to the City of West Covina. I also have stuff I didn't copy regarding the settlement agreement with the City of West Covina.

I have done all this on my own just trying to do something to solve this problem and my back is against the wall. I don't have the money to hire an attorney. The lawsuit with the City of West Covina took four years. I have been drained. I knew that ahead of time. The City of West Covina tells me that -- The homeowners association tells me that they are not going to be able to do anything. The money they spent is supposed to go back into the reserves. They took a vote to settle among the board members and they didn't include any of the homeowner members, which I feel my interest was actually being jeopardized because I had no say-so. So, basically, I wanted to present my case to you all and give you some documentation. If you had any questions I can follow up later on with documents in the mail.

MR. MOZILO: Can I ask a question?

CHAIRMAN WALLACE: Angelo.

MR. MOZILO: I have two questions. Is the problem resolvable with money? In other words, can it be resolved when you have earth slipping away?

MR. JOSEPH: Yes and no. I don't think anybody would want to build upon the property with the slope issue not fixed. The slope is not being maintained. With my money that I paid, my association dues that I have never been past due on, the association and the association attorneys declined to give me documents that I'm paying for. They sent two people into my unit to survey my unit. Not only my unit but the slope itself. I have letters I sent to the attorneys, certified return receipt, to prove this information. So to answer your question, yes, it can be fixed, but I don't think anybody in their right mind would want to fix my property without addressing the whole slope first because it probably will happen again.

MR. MOZILO: Who is the lender?

MR. JOSEPH: The original lender?

MR. MOZILO: Yes. Who are you making mortgage payments to?

MR. JOSEPH: Well, CHFA, but it started off with Western Bank Mortgage. My loan was sold three times. It's now back being serviced by CHFA. That's why I started dealing with Bob Bastien.

MR. MOZILO: I see.

MR. JOSEPH: You also have on the first copy of the cover letter my FHA case number as well as my CHFA loan number.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Has the association in their lawsuit or in their claims raised at any point the dollar amount it would cost to fix the slope? If so, what is that? And if the slope were fixed, what is the estimated cost of fixing your home?

MR. JOSEPH: To answer your first question, the claim originally was for $300,000. The association hasn't documented correctly, based upon the bylaws and CC&Rs, and information to all the members of the homeowners association. I don't know the answer if they plan on correcting the slope, even though it is part of the City of West Covina's property. So I don't think that $300,000 would have been an estimate to fix the slope.

MR. KLEIN: That's $300,000?

MR. JOSEPH: $300,000 was the original lawsuit.

MR. KLEIN: And is there a dollar amount for fixing your home?

MR. JOSEPH: I don't --In the letters I sent to Bob Bastien, Stephanie Stafford and what you have here, I'm asking for a payoff. I want to get out. Because I don't have the money to pay for something that I already paid for twice. The association and attorneys refuse to give me these documents when they agreed -- not in writing agreed. They agreed to give me a copy of the documents that they sent. Give me copies of documents from the professionals they sent into my place to survey my property as well as the slope.

MR. KLEIN: But separate from your desire to leave the residence, is there an estimate that was made in the claims or in the lawsuit for repairing your home?

MR. JOSEPH: No, not individually. It was a collective amount.

MR. KLEIN: Do you have an estimate of any kind separate from what was stated in the claims or the lawsuit?

MR. JOSEPH: No. The only dollar figure I'm quoting is the payoff amount from CHFA.

CHAIRMAN WALLACE: $74,000 --

MR. JOSEPH: $74,000, correct.

CHAIRMAN WALLACE: -- is what the letter here says.

MR. JOSEPH: It's a small townhome. It's not exclusive or extensive, it's small.

CHAIRMAN WALLACE: Yes. Let me suggest that we can't resolve it here with the limited time we have and hearing it first blush but I think that, Terri, you need to talk with our legal counsel and look into it and give Mr. Joseph a response pretty soon. Because what is clear is he is going to stop making his payments, which forces us into a whole --

MR. JOSEPH: A foreclosure.

CHAIRMAN WALLACE: -- other arena. I wish we could give you a real fast answer. I think you understand we can't do that here.

MR. JOSEPH: Right.

CHAIRMAN WALLACE: But we will tell you that we will take a look at it, see what involvement -- I guess you're the person to contact.

MR. JOSEPH: Yes, sir.

CHAIRMAN WALLACE: You don't have counsel representing you.

MR. JOSEPH: I have been communicating with counsel. I have been communicating over the last two weeks trying to get counsel. On a contingency basis it's a little difficult.

CHAIRMAN WALLACE: Yes.

MR. JOSEPH: I do want to add that the payments that I will stop making June 1 will be put in a holding account. I have documentation of where they're going, every single payment, every single penny. I am also going to stop payments to the homeowners association. I am going to send them a letter also. They will put into a holding account also that won't be touched. So it's not like I'm going to stop payments and I'm going to Hawaii, no.

CHAIRMAN WALLACE: I understand.

MR. JOSEPH: I'm holding the money in case this thing can be resolved. So immediately I can send the money to CHFA and the association if this thing can be resolved in an equitable fashion.

CHAIRMAN WALLACE: Okay. Bob.

MR. KLEIN: Are there any other homes that are also threatened by the slope failure?

MR. JOSEPH: Yes, there are.

MR. KLEIN: And how many is your estimate of that?

MR. JOSEPH: About three or four. There is also a retaining wall that if you walk next to my residence, without any question you'll see what the problem is. The retaining wall is at about a 70, 75, 80 degree angle, based upon a 90 degree angle.

MR. KLEIN: Well, I would suggest, Mr. Chairman, that while we're looking at Mr. Joseph's problem, we might investigate whether we're also the lender on these units and what the risk is to these units as well.

CHAIRMAN WALLACE: Do you know that?

MR. JOSEPH: No, I don't. I spoke to Stephanie Stafford, Loss Mitigation, a couple of weeks ago and she mentioned to me that they didn't have, really, an answer. They said they were supposed to be speaking with the California investors or bond holders, FHA, some meeting. That's why I made sure I sent the letter out to her to give her information about my property in narrative.

She said she is not sure -- Because I wanted to discuss with her, deed in lieu of foreclosure. And she was saying, basically, they are not sure if they even want to do that, to remove the liability from the City of West Covina, the insurance company, as well as the homeowners association. So she wasn't sure at that time what they might be doing. She said, why don't you send me some more information in writing so I can be able to present to these individuals during this particular meeting. Which is supposed to happen, I assume, sometime this week. And those letters went out to her last Thursday--excuse me, Monday--certified return receipt.

CHAIRMAN WALLACE: If you do retain counsel you should notify us. Sometimes these things get settled faster. Realizing you have got a financial problem, and you may or may not retain counsel, you should give him the same package and have him contact us. Having said that, I have a lot of questions I would like to ask but I think we have got to ask staff to do an investigation of your package. They know where to reach you?

MR. JOSEPH: Right.

CHAIRMAN WALLACE: In the absence of counsel. We'll try and get back to you in the next couple of weeks, Terri, anyway?

MS. PARKER: Yes, Mr. Chairman. Certainly, we will be in communication with Mr. Joseph over the next couple of weeks. I, obviously, just heard about this. I don't think Jerry knows anything about this either. As soon as we get back we'll, obviously, start investigating what this is about.

MR. JOSEPH: Thank you both. Thank you all very, very much.

CHAIRMAN WALLACE: Well, we appreciate you taking the time. And obviously we're concerned. That's no implied promise that we can do anything but we certainly will check it out and be in touch with you.

MR. JOSEPH: Okay.

MS. PARKER: And, Mr. Chairman, we will report back to the Board next month to you the status on what we have found out.

MR. JOSEPH: Okay. And I would like to add that if you have any questions on any documentation, I keep excellent records. Everything I have done, everybody I've talked to, dates, times, places, basic conversation summarizations. I have documentation.

CHAIRMAN WALLACE: It sounds like you're into it a tot deeper than you would like to be.

MR. JOSEPH: Yes. Well, a friend of mine told me a long time ago and I've kind of adopted his policy, I have more time than money so I'll do the homework myself. Thank you all very much.

CHAIRMAN WALLACE: Thank you, Mr. Joseph. With that, I have nothing else. You don't under Item 3 so let's move on to Item 4, discussion and possible action regarding liability insurance coverage. That's you I suspect, Tom.

**LIABILITY INSURANCE COVERAGE**

MR. HUGHES: Yes, sir. Mr. Chairman and Members of the Board, in previous Board Meetings there have been discussions of liability issues and the possible procurement of directors and officers insurance. Since those Board Meetings there have been several developments and we thought we would take a very brief opportunity to update the Board as to the status of this matter. What I would like to do is very, very briefly recap what had happened at the prior two meetings, certainly for the benefit of Directors who may not have been at those meetings, and to refresh everyone's recollection.

Back in August of last year a general discussion of liability of directors had come before the Board. There was a presentation that had been made that reviewed potential liabilities of Board Members. It was discussed that Board Members have substantial immunities under California law, particularly there are immunities for any discretionary acts of the Board, which would encompass, certainly, much or all of what would come before this Board in terms of Board action. There are immunities that Board Members are not vicariously liable for staff actions, and in the absence of malice, Board Members are not liable for misrepresentation.

There was also a discussion back at that meeting'of indemnities. Namely, the Agency would, upon request, provide legal defenses for any Board Members that were sued for matters arising out of the Board Members' official duties. That led into a discussion of directors and officers insurance and at the December 7, 2000 Board Meeting a Dan Howell of the Robert Driver agency appeared before the Board to discuss potential forms of D&O, directors and officers, insurance. Dan Howell did discuss the duty to defend that would arise under a policy and discussed retention of counsel. He discussed, also, the potential for coverage of matters that would not normally be covered, namely, punitive damages that could, at least theoretically, be imposed against a Board Member. The Agency itself is not liable for punitive damages.

At that meeting there was a discussion of what type of insurance policy that the broker would try to procure or try to get quotes for. At that meeting there was an assumption, really I think, before the Board, and certainly in the discussion reflected in the minutes, they were trying to obtain a quote for a policy that would specifically address the issue of whether punitive damages could be covered.

Under California law, punitive damages generally are not insurable. You cannot indemnify someone for their own wrongful conduct. That is the general policy of state law, although in a public agency situation under the California Tort Claims Act there is a provision which allows, in this case a state agency, to pay for punitive damages that are assessed against an employee, or in this case, a director, if certain conditions are met. And that, as we had discussed previously, involved a series of findings being made that the acts arose out of the official duties, that there was no malice involved, that they were done in good faith and for the apparent best interest of the Agency. It would require that both the Agency make that finding and that similarly, the State Legislature make that finding and approve payment of the punitive damages.

That really led into a discussion of whether an

types of payments to be made without going to the Legislature. I think the assumption, in looking at the minutes, was that that issue would be addressed within the policy and that there would be a mechanism potentially for having those damages paid without taking that legislative action.

Since that meeting, the broker has come back with a proposed policy, which was basically a $5 million general liability policy that included directors and officers insurance as well as employment practices, also errors and omissions insurance. It called for an annual premium of $125,000. There was a self-insured retention, essentially a deductible, of $100,000 per claim. But one of the things that was different, I think, from the assumptions that were discussed at the prior meeting was that rather than have specific language dealing with the method of paying punitive damages the carrier's proposal simply eliminated language in the policy which otherwise excludes punitive damages. So where that leaves us is, while the policy itself does not within the body of the policy exclude punitive damages, it doesn't specifically address how in the situation they would be paid or in fact whether they could be paid.

We reviewed that at the Agency. Certainly my feeling was that it was a wide open issue of whether such damages could be paid under California law without going to the Legislature and that the exclusion of the punitive damages language really did not address that sufficiently to warrant that type of investment in the policy.

We approached the broker to go back to the carrier and ask for an opinion from the carrier's counsel on two specific issues. The first would be that if, in fact, punitive damages were assessed and the Agency took the issue to the Legislature and got approval, would the insurance policy cover it; and secondly, a more difficult question, would an insurance policy cover punitive damages if the Agency did not go back to the Legislature.

Probably not surprisingly, the insurance carrier declined to provide any opinions on those issues, which I think is fairly telling in and of itself. The broker did attempt to give us information or an opinion to a certain extent on those issues, the upshot of which is that if we went to the Legislature, he believes there is a very good chance that they would be covered, and if we did not go to the Legislature there was, really, no opinion expressed. My own view is that it is very unlikely that we would be able to get insurance coverage of punitive damages if we did not go to the Legislature. I do not think that is very likely to happen. At the very least it would be a substantial coverage issue that would be out there. We would have, essentially, paid a significant amount for insurance and have an open issue that we would not be able to resolve until a claim came up and then it may well be an open issue at that point.

We thought after getting that back that we might take a somewhat different approach and so we went back and looked at insurance coverage that the Agency actually already has. There is some general liability coverage, actually a substantial amount, that the Agency had procured in connection with our single family REO properties. Actually, the Agency has a $2 million policy with a $5 million umbrella policy and a $10 million excess coverage liability policy.

What we did was we asked the broker that had procured that policy to see if we could tack on directors and officers insurance to it. That may be a possibility. They are working on some quotes right now. Best guess without tying them down since they have not gone to market and they have not gotten quotes is it would probably cost only about $5,000 to add that on to our existing coverage.

Where that would leave us, though, is that potentially we would -- if we went that route -- And by the way, we have also asked the broker that came in from the Robert Driver agency if he was interested, to go back and try to get an additional quote for the same type of more limited coverage so that we would potentially have some multiple competitive quotes to review.

Where I think that leaves us is that we may be able to accomplish what I think are one of the Board's goals but perhaps not the other. I think that the legitimate concerns of the Board Members were really twofold. One, that there be a mechanism to obtain counsel in the event that a claim was made against a Board Member. There was a concern expressed that specialized counsel, if you will, or experienced counsel in particular areas be available. The other concern was that to the extent, as we discussed, that there was a potential for punitive damages not otherwise covered by the Agency that there might be insurance coverage for that.

I think at the end of the day if we -- And I should point out that in getting these quotes for the D&O insurance that not all D&O policies provide a duty to defend and the market will have to respond. I have asked the broker to try and look for a policy that will provide us that coverage so I'm assuming that we will get that back. But be aware that not all policies provide for that defense. They provide for the payment of the bills but not necessarily the retention of counsel, which is the particular issue, I think, that this Board is interested in.

Where that leaves us, I think, is that when those refined quotes come back we may well, for a relatively small incremental cost, be able to obtain directors and officers insurance that will provide a defense to most of the matters that one might expect would come up that would affect directors. But I did not think at the end of the day that we are very likely to get any type of punitive damages coverage that would allow the insurance company to pay the bill, to pay the damages without first going to the Legislature.

So, in summary, we may be able to accomplish one of the Board's goals at a relatively cost effective means. The other, I think, is a very open issue that we are not likely to resolve satisfactorily.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: In the earlier discussion there was a reference to PERS or some other organization within the broad purview of state government as having researched and obtained coverage of the type that was being discussed. Did we, in fact, find that these other entities, or any other entity, had obtained similar coverage?

MR. HUGHES: Not with respect to punitive damages. When STRS was contacted -- There were several other agencies, I think, that had insurance, and directors and officers insurance, although that is not the norm, is my understanding. But they were also looking into how valuable that might be in the particular context the state agency would find itself in. But I am not aware of any other agency that has a punitive damages issue as we have discussed or coverage for that.

MR. KLEIN: So the coverage in each of the other cases was duty to defend-type coverage?

MR. HUGHES: My understanding is it would be more typical directors and officers insurance, which, frankly, may or may not include the duty to defend, but duty to pay in any event.. But, again, I am not aware of any situation that has attempted to deal with the potential for payment of punitive damages without going to the Legislature.

CHAIRMAN WALLACE: And even if we go to the Legislature it's still in doubt.

MR. HUGHES: Yes. I think there is a very good argument to be made that it should be paid because the state law and public policy expressed in those statutes is that it is simply against public policy to pay for punitive damages on behalf of someone else. The idea being it is their willful conduct and would defeat the purposes of punitive damages. That having been said, the California Tort Claims Act specifically allows a state agency or local agency to pay those punitive damages in certain narrowly defined cases. While there are no court cases to guide us, logically one would assume that that would be an exception to that rule since there is a specific mechanism for paying it. So by extension of that logic there should be an insurable interest there if the hoops are jumped through and if you go to the Legislature.

CHAIRMAN WALLACE: You get CHFA approval and the Legislature.

MR. HUGHES: Because the Tort Claims Act actually does say that except as provided in that specific section which requires you to go to the Legislature. Except for as provided in there, the state cannot pay punitive damages.

CHAIRMAN WALLACE: Angelo.

MR. MOZILO: The Board' has indemnification from the state; is that correct?

MR. HUGHES: Yes. Upon request of a Board Member that has been sued the Agency will come in, as long **as** the matter arises out of the performance of the official duties, correct.

MR. MOZILO: Does the D&O policy as proposed provide any additional coverage over and above what the indemnification provides? Forgetting about the punitive damage issue.

MR. HUGHES: Essentially the D&O coverage would also have to arise out of the official duties. So to that extent they are very similar. Whether there is some specific language that might be a little broader than the statute, we would have to see the --

MR. MOZILO: But my point is, is there any value in getting the policy if in fact we are already covered?

MR. HUGHES: There are two issues, really. One is that you take it out of, essentially, your self-insurance-type of mode and therefore the effect on the Agency would be that the Agency would have a source of payment for that. But secondarily, the concern, I think, that I read in the Board Minutes, was that there be a mechanism to have private specialized counsel appointed when, in the absence of that, the matter would be referred to the Attorney General's office. In other words, a significant part of the value would be the retention of outside counsel.

All that having been said, I think we probably should not lose sight of the fact that given the immunities that the Board Members have that the potential for punitive damages, and for even incurring a type of liability that could go to the Legislature and be paid, is very, very small.

MR. KLEIN: I do think that specialized counsel can be extremely helpful in properly protecting those immunities and the defenses that arise related to those immunities. Some of the scope of what the Agency does is so broad one cannot suppose that there would be specialists in the Attorney General's office that would necessarily be appropriate to a specialized or technical area. Therefore the ability to have private counsel that was specialized to provide the adequate defense might be very pertinent to getting the effective benefit of those immunities and otherwise protections that would exist.

MR. HUGHES: And I think our read of the business issue, essentially, that is being considered here is that with the original proposal there was a very substantial premium for coverage that may not provide a commensurate value. Conversely though, if we can obtain D&O insurance for a small incremental cost that would provide some benefit as has been expressed by the Board Members, that might be a more reasonab'le business decision.

CHAIRMAN WALLACE: Angelo.

MR. MOZILO: If I can narrow this down. What did you say it was, $105,000?

MR. HUGHES: The original proposal was $125,000. We are thinking that if we get a D&O quote under the guidelines that I have laid out that it is probably more likely to be in the $5,000 range, although the market has to tell us that, and that we would, potentially, be able to get employment practices coverage within that policy as well.

MR. MOZILO: And for that, whatever that premium is, which is a modest premium, the Board Members would have access to private counsel and the Agency would have a buffer so that they would not be totally self-insured?

MR. HUGHES: Exactly.

MR. MOZILO: I would only suggest that if you are, in the future, trying to attempt to attract quality people to this Board, particularly outside people, that that's going to be their concern. To not be dependant upon counsel from government to defend them.

MR. HUGHES: And I think I understand the Board's concerns. I'm on some boards myself and I have gone through this exact issue on a personal level. I think that's why the consideration was that for a relatively modest incremental cost we could, at least, address that portion of the Board's concerns that it might be something worth considering.

CHAIRMAN WALLACE: What we're talking about is, roundly we think, a $130,000 premium?

MR. HUGHES: No, I think that what we can do is potentially add on to our existing coverage for probably in the order of $5,000. That's why we think if we can do that we would --

CHAIRMAN WALLACE: That's worth it. If it's $130,000, I don't know.

MR. HUGHES: Exactly.

CHAIRMAN WALLACE: And with a $100,000 deductible per claim, to me sounds like that's not a very good buy.

MR. HUGHES: Right.

CHAIRMAN WALLACE: If you're talking about $5,000 to add on to an existing policy for D&O coverage which allows access to private counsel, that's a good value.

MR. HUGHES: And that was our thinking as well, Mr. Chairman.

MR. KLEIN: I would say even if it's in the range of $5,000 to $25,000, the issue here is, I think, the Agency is getting protection and we are getting specialized counsel access. Given the scope of our Business Plan, anything in those ranges would seem to be a pretty reasonable figure.

MR. HUGHES: And the next step would be to get new quotes and really get us off of the issue, really, for the punitive damages, which I think at the end of the day is more of a red herring than anything else, and focus on coverage to the Agency that would include a duty to defend the individual directors.

MR. KLEIN: And the employment practices could be an important add-on because employment practice area is so volatile and unpredictable.

MR. HUGHES: That's right, and it is a source of potential liability. At least in the corporate setting, maybe less so here. Most claims in a corporate setting are probably going to come out of securities issues for directors. With the immunities here there's going to be very little opportunity, I think, to exposure, rather, to individual Board Members. But, of course, employment practices is always an issue of concern. I have asked the broker to see if that can be added on to the policy.

CHAIRMAN WALLACE: I'm getting the sense that something in the range of five-plus to 25, this is probably worth requesting Tom to go forward and get these additional quotes and bring it back to us for a decision. Is that fair? Can I have a motion to that effect?

MR. CZUKER: So moved.

CHAIRMAN WALLACE: Ed.

MS. NEAL: Second.

CHAIRMAN WALLACE: Pat. Any further discussion on the motion from either the Board or the audience?

MS. PETERSON: Mr. Chairman, the only question I would ask is if staff feels that we should actually authorize the purchase, the negotiation and purchase today, since I see that it was agendized for possible action, in an amount not to exceed, or if in fact we want to hear quotes back before we act.

CHAIRMAN WALLACE: No, I think that's fine. I'd, with your permission, amend the motion to say we authorize them to go ahead, provided it does not exceed $25,000.

MR. HUGHES: The Board can handle this, of course, any way that you choose. Certainly, getting this insurance is well within Terri's limits of what she can purchase and would be more or less a routine purchase for us. I think what we were mostly concerned with was getting a sense of whether we could put aside the punitive damages issue and concentrate on a coverage that was more likely to be practical in the real market and get a sense of that from the Board. I'm sure we can work out an individual policy within those kinds of parameters.

CHAIRMAN WALLACE: And maybe better not name a number in an official --

MR. HUGHES: We have not gotten any quotes back from the actual market and the broker made a disclaimer and said: we actually have to get the quote back, I'm giving you my best guess. But it's going to be a price, I think, that is going to be well within our routine operating expenses. Again, we mostly wanted to get a sense of this new direction from the Board.

CHAIRMAN WALLACE: Why don't we authorize counsel to proceed, and Terri to contract, with a sense that it is in the range that we have been discussing here today, not name a figure, and then report back to us.

MR. HUGHES: And I would point out that what we are hoping to get are competing quotes from different carriers that may have different aspects of their coverage. So at this point we probably would-not want to tie it down to any particular.

MS. PARKER: Mr. Chairman, just some comments. I think from the staff's perspective we thought this made the most sense and, basically, the most cost-effective means of providing the best benefit to the Board Members that we could under the over-arching statutory and legal issues. So we would want to have gone forward with this but we thought it needed to be in the broader context because of the initial concern about punitive damages.

CHAIRMAN WALLACE: Fair enough. Is that the sense of your motion, Ed?

MR. CZUKER: Sure. So amended.

CHAIRMAN WALLACE: Okay. As amended, however you write that down. Any further discussion from either the Board or the audience? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Do I dare ask for a restatement of the motion? (Laughter). Aye.

MS. OJIMA: Thank you. Mr. Pavao?

MR. PAVAO: Aye.'

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: It has been approved.

CHAIRMAN WALLACE: The motion relative to director liability insurance has been approved.

**RESOLUTION 01-18**

Okay, let's move on to Item 5, our discussion and possible action, likely action I think, of our Five-Year Business Plan for the fiscal years 2001/2-2005/6. How do you want to proceed, Terri? Do you have preliminary remarks?

MS. PARKER: Very briefly, Mr. Chairman. I think the staff, on behalf of the CHFA staff, we are very excited about presenting this Business Plan. We think that the Business Plan that we present for your consideration today basically reflects the discussions of the Board's philosophy and the direction that they have discussed at prior meetings. We have had the benefit of having done a number of our usual focus groups that we typically do, talk to our lenders, our stakeholders in single family home ownership and on the multifamily side. I can bring that back and add that into the discussion today.

I think the part of it that we are particularly interested in bringing forward is, obviously, we are showing continued growth in our programs, but the fact of the matter is building on a very successful Business Plan of last year which we have, essentially, met in all areas and in some cases even exceeded our Business Plan goals. So we are being more aggressive in this Business Plan.

We continue to make some assumptions on the market environment, and we have listed those in the Business Plan, that we can never have a crystal ball on. But to the extent that we are able to continue to have the benefit of a good narket we will, essentially, commit to trying to achieve the Business Plan that we have laid out for our upcoming year.

Essentially, we will give our stakeholders a sense of what we have as a five-year commitment of the kinds of goals and objectives we want to be achieving. And we can go through --

CHAIRMAN WALLACE: Yes.

MS. PARKER: We have staff here to, basically, go through, starting out with home ownership, the major programs.

CHAIRMAN WALLACE: Let's do that, then. Are you ready, Board?

MS. PARKER: Jerry.

CHAIRMAN WALLACE: Jerry, you're on.

MR. SMART: Thank you, Mr. Chairman, Terri and Members of the Board. I'll start my remarks with the single family home ownership program on our Five-Year Business Plan. First is the mission of single family programs: to provide home ownership opportunities for very low, low and moderate income first time home buyers. With that, we have established the objectives to accomplish that mission: provide first time home buyers with below-market-rate financing; targeting low-income home buyers; managing resources so we have funds available throughout the year; promoting products that expand the supply of affordable housing.

We have developed a number of strategies to do that. First is to provide long-term, fixed rate, below-market conventional rate financing for first time home buyers. Is there a problem with the --

MS. PARKER: I was just asking JoJo if she would turn off the lights. Some of the colors are a little more difficult to read.

CHAIRMAN WALLACE: And I was just remarking mine went out some time ago.

MR. SMART: It is also our strategy to provide our lowest rate to low-income home buyers and support those home buyers with a number of specialized programs such as the Affordable Housing Partnership Program, our 100 percent CHAP program and our Self-Help Builder Assistance. In addition, providing down payment assistance with our California Homebuyers' Downpayment Assistance Program, CHDAP, as we refer to it; our School Facility Fee Down Payment Assistance; and our Home Purchase Assistance, which is going to be tied with our two new pilot programs that I will be discussing in a little bit.

Offering also, a rate differential and program incentives to assist home buyers in extreme high cost areas; teachers and principals in low-performing schools; and continue to work with a statewide network of lending institutions to provide our CHFA products. And continue to keep updating our prices and incomes in accordance to federal law to the maximums that we could.

Accomplishments. And I'll just kind of cover these briefly, what we have accomplished in the last fiscal year. Of course, we have introduced the California Homebuyer Downpayment Assistance Program. It was a $50 million program for down payment assistance. That was, by the way, introduced in October after the Board's approval and has been highly successful. We continue with our $1 billion first-time home buyer program. Last year we achieved that goal and it again is the goal this fiscal year.

We also have increased the percentage of low-income home buyers from last year to this year; we are now over 50 percent low income. We have also expanded the minority borrowers level in our program from 68 to 72 percent in the last fiscal year, which we are quite proud of. Last year we achieved a $15 million goal for our 100 percent loan program and again that is a goal for this coming fiscal year. Primarily it is designed to serve under-served areas, urban, and high-cost areas.

We have continued with our Self-Help program. We do have a couple of applications that we have received and we hope to have another one within the week. There are projects in the future that we see. It's a program, however, that is very slow in developing. It takes a long time for the development of those projects to come through. I think with our financing that we provide and the commitment that we have made, it's a valuable program. The nonprofit self-help building community is, I think, quite pleased with what we have been able to do so far.

We have also increased the number of localities participating in our Affordable Housing Partnership Program. That has increased to 169 localities. I think so far we have 716 loans that we have already processed through this particular program, representing $59 million in first trust deeds and $11.5 million for locality funded assistance. By the way, in that part of the program we offer an interest rate break off of our regular program. That is to achieve and create more affordable housing opportunities.

We have continued to focus on down payment assistance for high housing cost areas and they will be addressed in our two pilot programs as we go further with this. In our School Facility Fee program, we have accomplished nearly $6 million. That's a little bit slow. It's the way the funding levels in the particular program, for school districts, have been slow to materialize so the program has been slow to start. And as Terri mentioned, however, this is a program where the funding may dissolve here shortly given the May revise.

This is a picture of where we are with respect to our current regular program. The green bar represents our cumulative purchase total. The months from July to May are actual figures and you can see that we are almost right on target. We do project for June and July to achieve our $1 billion goal. Our reservations have been coming in at the rate of about $80-120 million. It fluctuates and, of course, we try to moderate that using our interest structure and down payment assistance programs to keep it within a reasonable level.

This is our five-year projected budget. We continue with a goal of $1 billion for the single family program for the five-year period. We will also provide self-help mortgage assistance. That $2.5 million is actually for development and construction loans. And as I mentioned, I believe in the last Board Meeting, we intend to increase our level of development funding per project from $300,000 to $500,000 if the Board approves and also reduce our interest rate to first-time home buyers from five percent to four percent on our first mortgages.

We will also continue with our down payment assistance program, our CHAP program, at a $15 million level. And we have proposed to introduce two pilot programs, our Extreme High Cost Area program in which we will offer home purchase assistance, subordinate loan financing. We have targeted $9.5 million for that program and our Extra Credit Teacher program at $2.5 million.

CHAIRMAN WALLACE: Jerry, you figure both of those on a one year pilot?

MR. SMART: Yes.

CHAIRMAN WALLACE: And then you would come back to us if they are working or we tinker with it and probably amend the plan in the out year. Is that the idea?

MS. PARKER: Well, actually, let me specify. This is some remaining general fund money of down payment assistance that was available to us ten years ago that we are basically utilizing these small amounts to try to do some pilot programs. We will run them as long as they run, but we would have to find a funding source for them if we wanted to continue them. That's true of the first one.

The second one we may have some options about whether or not we could finance the teachers program by some additional lending techniques we might use. But the first one, given the significant amount of down payment assistance we would offer, I'm not sure that we could do it without some assistance.

I think what we had talked about when we approached this last time was, there has been a lot of discussion in the committees about trying to help some of the very high-cost counties. We thought this would be a good opportunity for us to pilot so that if legislation was considered in this area we might have the basis of some information if the state wanted to provide some sort of specific down payment assistance using general fund dollars.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Can I ask which program is it that would reduce first time home buyer interest rates from five percent to four percent?

MR. SMART: That's our Self-Help Builder Assistance program.

MR. KLEIN: So only on the Self-Help?

MR. SMART: Correct.

MR. KLEIN: And the normal first time home buyer interest rates. What are they?

MR. SMART: Our statewide moderate income home buyer is at 7.25 today and low income is at 6.5. And you can see with our Affordable Housing Partnership program we offer 6.25. In high-cost areas, which are primarily the Bay Area, Central Coast and Southern California coastal counties, we are offering 7 percent on the moderate income and 6.25 on the low.

MR. KLEIN: And where is the market? What is the market rate in those categories?

MR. SMART: Between 7.25 and 7.5, I believe. We are a little bit high on our moderate income, especially in the statewide areas, and that is primarily because we are trying to stem the flow of reservations. They are coming in a little bit higher than we had anticipated or would like to see and so we have --

CHAIRMAN WALLACE: You mean, volume-wise.

MR. SMART: Volume-wise. One of the unique tools that we have is the ability to adjust our rates to moderate our reservation flow.

CHAIRMAN WALLACE: Because my sense, too, is that's not that competitive. That's not that much of a break, but I can see it in the context that he just explained.

MR. KLEIN: Right. But for the consideration of moderating demand, what type of a spread programmatically are we trying to design into our program as an advantage for the first-time home buyer?

MR. SMART: Generally we try to maintain a one point spread. We're a little high right now.

MR. KLEIN: So if the market were at 7.5 we would want to be at 6.5, even on our moderate?

MR. SMART: Generally speaking. And particularly for low income.

MR. KLEIN: Because of the positioning of the money, the bonds we already have out there, are we constrained to the rates we have there or, in fact, do we have any play in the rates?

MR. SMART: The fact that we have been able to de-link our interest rates from a bond series gives us a fair amount of flexibility. However, the rates that we have adjusted -- We do meet every week with senior staff and discuss our rate volume, our reservation volume, and our goals and objectives of where we are and try to adjust our rates accordingly. We do not raise them every week. We try to maintain a level --

MR. KLEIN: Let me ask a separate question. Separate from the desire to restrict volume, what is the built-in spread that we have on our existing bonds with this rate structure right now? (Ms. Neal's telephone rang).

CHAIR"" WALLACE: And the answer is? (Laughter).

MS. NEAL: Sorry.

MR. SMART: I'll have to defer to Ken Carlson here on that particular question.

MR. CARLSON: Thank you, Jerry.

CHAIR"" WALLACE: Will you give us a report when that call is in and over. And tune it up a little.

MS. NEAL: I'm embarrassed.

MR. CARLSON: If I may answer.

CHAIRMAN WALLACE: Ken.

MR. CARLSON: Mr. Klein, on the aggregate we are taking the full spread that the federal government allows with the mix of interest rates that we have. However, we are, in effect, subsidizing every loan, as you may recall when we have talked before, and if there's time I'll talk again, about doing the re-fundings that we do of old loan portfolios. And it is the excess spread on those transactions that allows us to subsidize new loans. Even though we have in the last several transactions, 70 percent of each bond -- the portion of each bond issue for new loans done with taxable financing, we are able to use that subsidy to bring us up to full spread on the transactions.

So we are -- I think as Jerry said, what we are trying to do is monitor the amount of reservations that we get each day and each week and each month so we spread out the flow evenly throughout the year. And if that means that we have to target certain members of the population -- or certain otherwise would-be eligible borrowers for loans that are close to a market rate then that's the way we decided to do it. It helps support the taxable financing as well.

MR. KLEIN: Is the federal cap 100 basis points on a blended basis?

MR. CARLSON: It's one and one-eighth. But we have to pay servicing out of that and, obviously, pay for our own cost of issuance.

MR. KLEIN: It's 108?

MR. CARLSON: One and one-eighth.

CHAIRMAN WALLACE: Okay.

MR. KLEIN: Thank you.

CHAIRMAN WALLACE: Thank you, Ken. Jerry, continue.

MR. SMART: Our Contract Administered programs, School Facility Fee. This is kind of a brief update. We had $67.5 million allocated through this fiscal year. As Terri mentioned, we will continue to provide the funding for the program to the extent that the funds remain and continue with the program unless it's --

CHAIRMAN WALLACE: Terri?

MS. PARKER: Well, the Governor has proposed it in his budget so basically it remains for what the legislative action will be on this. Whether or not there will be, basically, constituent groups that will go to the Legislature and ask for consideration. In the end, what it will be in the Legislature's budget, passed and sent to the Governor, and then what the Governor will decide through his ability --

CHAIRMAN WALLACE: Fair chance, though, that it is going to be eliminated because it has not been highly successful. And they don't like money just sitting around allocated and unspent.

MS. PARKER: I think the question is whether or not -- Particularly since it's three programs and one program is basically for builders in economically depressed areas. This is basically to mitigate Level 2 and Level 3 school fees. The State Allocation Board has, essentially, at one of their last meetings, discussed that they may approve the authorization to do Level 3 fees. School bond money has virtually run out. That those builders may finally be in a situation to need this if they can make that pitch. If anything is left, I would imagine it will be very, very little amounts of money. But we are at least taking the position that we -- As I said, we just found this out on Monday. We are, essentially, suspending any kind of aggressive activities. We will know this in a matter of weeks.

CHAIRMAN WALLACE: Including our --

MS. PARKER: We have no authority, though, today if someone submits a claim. We would have to honor that and make a reservation and the Department of Finance understands that. So anything that we would do would be in effect, a discontinuation of the program, probably beginning July 1. We have intended to notify our lenders, essentially, that this may be coming so that they would have sufficient time to not be caught with someone who had, essentially, made some sort of a commitment or decision.

CHAIRMAN WALLACE: Isn't this the program we were going to hire a PR firm for?

MS. PARKER: Correct.

CHAIRMAN WALLACE: Okay.

MS. PARKER: We had, essentially, come to you last December. When the $160 million appropriation was made, $2 million of that was available for us to use for a marketing program. We had, essentially, talked with the Board about the authority to enter into some sort of agreement. It was really questionable about how much we would actually spend. We had gotten to a point where we did go out for an RFP and we had made some changes. Even with that and not wanting to do any marketing in the multifamily area because we have been successful in utilizing that program, what we had negotiated was a $218,000 contract. But we have, essentially, contacted them and, essentially, said, at this particular point in time, probably just work to date, which is very little.

CHAIRMAN WALLACE: Yes, Bob.

MR. KLEIN: Just clarification. There was originally money appropriated?

MS. PARKER: Correct. In 1998 there was $160 million appropriated that would be actually available over five fiscal years.

MR. KLEIN: So this money, even though it has been appropriated, is being recaptured?

MS. PARKER: Correct. Actually, $108M of the $160M has been appropriated. The budget for 2001-2002 fiscal year had another $40 million and then $20 million would have been in the budget in 2002-2003. So what Finance will propose is, basically, a reversion item which will sweep what dollars have been appropriated to date and unexpended.

MR. KLEIN: I see.

MS. **PARKER:** And uncommitted.

**MR. KLEIN:** And the reversion item is intended to recapture how much?

MS. **PARKER:** Finance, basically, estimates -- And this is based on what is uncommitted. They are estimating in the May revision, $86 million that has been appropriated to date, plus the $40 million that would have been in the budget year, plus the $20 million that would not have been budgeted until 2002-2003.

**MR. KLEIN:** At times in redevelopment areas there are people that are on waiting lists for two to three years. They could be on a waiting list for a year or two and there is not a commitment, per se. Should we ask that there be some buffer amount that is not physically committed but --

MS. **PARKER:** We have talked about that with Finance when this came up on Monday. In fact, I asked the Director of Finance on Friday when I first heard about it. Their intent is -- We discussed what our definition of commitment is and that is, anybody who has applied. Even though we have not delivered their loan we make a reservation at the time that they first apply. We will interpret that to be a commitment.

**CHAIRMAN WALLACE:** Toni.

**MS. SYMONDS:** Obviously this money here is general fund. I have heard that there is a discussion for another school bond. And I don't know when they are thinking, whether it's -- How soon that goes on.

MS. PARKER: That would be -- At the earliest it would be next --

MS. SYMONDS: Next November? Or June? I guess March. I know this program only through the newspaper and it has had some problems but I think fundamentally it sounds like a very useful program. I wondered if there had been any discussions about actually trying to fund this or a modification of this through the school bond and actually using bond monies as it comes up again.

CHAIRMAN WALLACE: You know, we're just administering it, it's really a CBIA legislative program. They're concerned that this may be --

MS. SYMONDS: I'm sorry, what is CBIA?

CHAIRMAN WALLACE: Oh, CBIA, California Building Industry Association.

MS. SYMONDS: Oh, oh.

CHAIRMAN WALLACE: It was their legislation that was approved in 1998 that got the $160 million. We stepped in, not as an advocate but as an administrative agency, to help oversee it. And I think a lot is going to depend on CBIA, the builders, the home builders association's actions with the Legislature. But right now -- It hasn't worked as well as they thought.

MS. SYMONDS: Yes.

CHAIRMAN WALLACE: They were getting hit, and still are, with some very high school building fees, which is why they advocated this and the Legislature responded with the program. But it's been very slow getting started and it has not been successful. So there's probably going to be some tinkering in order to -- Who knows. The impetus has got to really come from CBIA to get this thing going again. Yes, Bob and Pat.

MR. KLEIN: I'll defer to Jeanne.

CHAIRMAN WALLACE: Jeanne, Bob, Pat.

MS. PETERSON: I just had a question of clarification, and I realize that it is very early since all of this has come about in the last few days. Am I to understand from what has been said that, A, this applies equally to the multifamily side of things; and B, that the interpretation at this point is that the only projects or money that would be saved, as it were, was for those who have already applied?

MS. PARKER: Correct. If we don't have something in hand we have no idea about what may be out there.

MS. PETERSON: I only ask because we will be having tax credit applicants who have already indicated that they are going to attempt to get in our competitive system for public funds utilizing this as a mechanism. We also have some pretty significant issues related to what can be included in eligible basis, for which these funds would be very, very valuable. So we might want to join forces in --

CHAIRMAN WALLACE: Until you get a final budget you don't know.

MS. PETERSON: Right.

CHAIRMAN WALLACE: We have not, though, been the advocates.

MS. PETERSON: I realize that.

CHAIRMAN WALLACE: It depends on how successful CBIA is in overcoming the May revise.

MS. PETERSON: Right. And I'm just pointing out that it has been a useful tool, and I think increasingly would be looked at as a useful tool, in multifamily as well as in single family, given some recent developments.

MS. PARKER: Jeanne, it's interesting because when this has been heard in committee, typically the people who speak on this item are on the home ownership side. I don't recall anybody, if ever -- Di, last year I don't recall anybody from the multifamily side who has ever spoken to the benefit of this program before a legislative committee.

MS. PETERSON: I think it's sort of, now more than ever, after last fall and the technical advice memoranda.

MS. PARKER: Yes, but it's unfortunate because on the multifamily side this program hums along. And that is why we had not proposed to spend a dime on marketing because the industry is well aware of it. To the extent that we can use it, the stakeholder groups know about it and they do use it. We actually have a fair number of units that we have really been able to create reduced rents on as a result of it. The shortfall for the Governor's consideration was $5.7 billion and this was a large amount of money.

CHAIRMAN WALLACE: I don't want to spend an inordinate amount of time here because it is what it is right now and it is a moving target. However, Bob and Pat.

MR. KLEIN: I defer to Pat.

MS. NEAL: Thank you. We tweaked it last year and it still did not do any good. So I would say that no matter what CBIA does the program was not effective. I doubt if they will have any success and we should just move on. We hate to see it go and we probably should have gone in prior to May revise trying to get it directed someplace else. We did not do that so I'd say that you just write it off. And I think that in your Business Plan you have to address the fact that we don't have that and also that we have gotten the money cut back on the Home Byers Down Payment program. I think you have to take that into consideration because we are not going to get it back either.

CHAIRMAN WALLACE: Fair enough. Moving on, Jerry.

MR. SMART: Okay. And just a comment on the

Homebuyers Downpayment Assistance Program. We already have loans in the pipeline, either purchased or approved or reserved to the amount of $18.4 million and we will continue to the extent funds are continuing or available.

The two pilot programs that we mentioned earlier, one is the Extra Credit Teacher Program. We actually made an application to CDLAC for $20 million. We got an allocation of $15 million, which we will leverage to $30 million. This program will provide down payment assistance at the amount of $7,500 for credentialed teachers in low-performing schools. It shows $1.9 million there. Actually, we are also attempting to partner with the City of Oakland for their Extra Credit Teacher Program. If we do we'll have the additional funds. We'll provide funding and it will take it up to $2.5 million. We had initially established a $2.5 nillion level for HPA assistance but when it was cut back it was reduced to $1.9 million. When you take the $7,500 and calculate it out --

MS. PARKER: Jerry, let me just add something for the benefit. We have proposed a program of asking for $20 nillion allocation in order to create a $40 million program. Staff believed that that's the minimum amount of program to run a statewide effort in this. Unfortunately, because of the procedures of the CDLAC committee, they had $120 million worth of applications to hand out, $90 million worth of bond cap, and the procedures call for an across the board reduction to all the applicants.

However, in discussions with the Treasurer's Office we appealed that from the standpoint that that was placing CHFA in the position of applying for $20 million. Pick a county -- LA City applied for $20 million. They were reduced to $15 million, we were reduced to $15 million, we are running a statewide program. The Treasurer's Office listened to our comments at the meeting where the $20 million was reduced to $15 million. They have sent back word to us that they are concerned about this and they are looking to a later in the summer appropriation of an additional $5 million. So we actually will have--we'll come back and correct this--but what we are projecting is to do a $20 million program in the Business Plan year. Essentially, we will have down payment assistance for that and, essentially, do $40 million worth of loans.

CHAIRMAN WALLACE: Okay, Jerry.

MR. SMART: In continuing, we also will have a pilot program, the Extreme High-Cost Area Down Payment Assistance in which we will target initially Santa Clara, San Mateo and San Francisco in offering down payment assistance help. I will kind of give you some more information in a minute.

The Extra Credit Teacher Program is designed to provide our lowest rates at the affordable housing partnership rate. If you will recall on the slide before--a couple of slides back--that would be, for example, in Los Angeles County, six percent at today's rate. We provide a $7,500 second. We would start out with a five percent interest rate. These are deferred payment loans and would be forgiven over five years so it would be zeroed out. And that's contingent upon continued employment as a credentialed teacher in a particular school.

Eligible Teachers: They must agree to work in a low-performing school, agree to five-year employment, be a first-time home buyer and meet the income/sales price limits of our program. We are designing this so it would also work or could be combined with other down payment assistance, either our 100 percent loan program or locality provided assistance.

Here is an example of how that layering could work. For example, if you had a six percent CHFA loan and had a mortgage of $246,000 you would add the $7,500 second for the teacher. In this case we displayed a CHAP third at $7,800 which gets you a sales price of $261,000. Obviously, in certain areas, like Los Angeles or the Bay Area, additional assistance would be required by the localities. In fact, we have attempted to contact a number of localities to see about the assistance.

The extreme high-cost area program: We would offer a first mortgage, first-time home buyer, within our maximum income limits, sales price, and would offer our CHFA high-cost area interest rates, which would be low-income at 6.25 and 7 percent at moderate. In this case we would offer a $25,000 HPA second with deferred payment. This would have a 3 percent interest rate on it. It is designed for the high-cost areas as an initial program targeting Santa Clara, San Mateo and San Francisco. We did take into account the Board's comments last time. For this particular program and with the funding that we have with the residual HPA funds we start with these three in hopes that we can create affordable housing opportunities in these areas.

CHAIRMAN WALLACE: That's a good choice of three counties. (Laughter).

MR. SMART: And again, we are designing this so it would work in combination with other down payment assistance. For example, we have talked to Santa Clara Housing Trust and the Mayor's Office of San Francisco in housing to partner where they could provide additional down payment assistance in combination with this program.

As an example, our first trust deed we would offer at seven percent. This is assuming somebody in San Francisco at the maximum income limit could qualify for a first nortgage of a little over $300,000. They would have a

$25,000 second; we would offer a $10,000 CHAP loan, that's a deferred payment loan; and would get you to a price level of nearly $340,000. Obviously, prices in that particular area -- For example, resale seems to be averaging well over $500,000 so this would be a program in which we would need to work with localities to reach those particular areas.

MS. PARKER: I don't want to belabor the issue but I do want to point out that we have had conversations to date with Santa Clara County and San Francisco about the kinds of programs that they are running and we are hoping to partner with them. San Francisco, for example, has a program that offers as much as $100,000 down payment assistance. They can serve about 70 or 80 people. We are hoping that to the extent that we can utilize this that they may be able, in that sense, to serve more and maybe even provide some deeper affordability. So we are excited about this. I think we have got a good response so far. We will come back and continue as this evolves in our discussions with localities.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: For the example that you have stated there for the resale home.

MR. SMART: Yes.

MR. KLEIN: What income would it take to qualify under the program outline?

MR. SMART: I believe that was at $92,000, which was the maximum income for the family of three.

MR. KLEIN: What is it?

MR. SMART: $92,100.

MR. KLEIN: To qualify for the $339,000?

MR. SMART: At seven percent.

MR. KLEIN: And the second trust deed and the third, what are the payment terms on those?

MR. SMART: They are both deferred payment loans so the entire principal balance and accrued interest would be due on sale or upon term of the first.

MR. KLEIN: And the $92,000 assumes a payment without association dues?

MR. SMART: If they were purchasing a condo or a PUD there would be association dues in addition to that.

MR. KLEIN: So if there were --

MR. SMART: But this was just assuming a straight single family.

MR. KLEIN: The reason I'm asking the question is, many of the houses in those counties in this price range would be condominiums with association dues.

MR. SMART: Right.

MR. KLEIN: Therefore, the effective price we could reach would be something lower than this.

MR. SMART: Could be, yes.

MR. KLEIN: But as Terri said, there are

jurisdictions there with $60,000 to $100,000 in additional local aid which could offset that.

MR. SMART: Correct. That would be our desire, to partner with those areas, those programs.

CHAIRMAN WALLACE: Are you there?

MR. SMART: I'm there. That concludes my remarks.

CHAIRMAN WALLACE: Any further questions for Jerry? Yes, Toni.

MS. SYMONDS: And I apologize, I thought we were waiting to the end for questions **so** this actually goes back a little bit.

CHAIRMAN WALLACE: As you can now tell, we aren't.

MS. SYMONDS: I was just trying to appropriately participate.

CHAIRMAN WALLACE: Well, you're doing good.

MS. SYMONDS: Does CHFA have anything relative to leapfrog development? I spent some time working at the US Department of Agriculture--rural development used to be Farmers Home Administration--and they do have, or at least they did at the time that I worked there, restrictions about not funding leapfrog development. Just a little box they check off. Does CHFA have a similar thing?

MR. SMART: No, we don't have a policy that would restrict leapfrog.

MS. SYMONDS: Okay. Obviously, we like smart growth, the term, but the huge issue is a lot of the rural areas are really becoming suburbanized without the resources.

CHAIRMAN WALLACE: I think we leapfrog in Angel's Camp, don't we, Jerry?

MR. SMART: Yes, that's true, every spring.

CHAIRMAN WALLACE: We don't discriminate.

MS. SYMONDS: That must be Calaveras County then.

CHAIRMAN WALLACE: Yes, right.

MS. SYMONDS: At some other point, to not hold this up, I would love to have a conversation with staff about the self-help program and to see how that is similar or dissimilar relative to the self-help program run by rural development. Extremely effective in getting, obviously, to very low income. I'm glad to see some progress although, obviously, not zipping along.

MR. SMART: That program is kind of in tandem with rural development. They obviously, work in the more rural areas. They provide a better interest rate on the first trust deed, I think it's down to one percent. Our program is more for an urban area or an urban character, which their program would not operate in. So we are kind of the counter, if you will.

(Tape 1 was changed to tape 2.)

MS. SYMONDS: Okay, all right.

MR. SMART: It's a two-part program where we offer development construction financing up to $500,000, if the Board approves the Business Plan for that particular development, and then we offer take-out financing for the prospective first-time home buyers that participate with self-help housing.

MS. SYMONDS: Okay. So it really is pretty parallel. If it's all right maybe before the next meeting we can talk. The other question is on your -- I'm looking at page six in your handout. You have a pull-out of your rural area loans. What is your definition for rural?

**MR. SMART:** We don't have a particular definition, it's basically anything other than an urban area within the city limits.

MS. SYMONDS: So like for Fresno --

**MR. SMART:** Urban counties, basically. For example, Del Norte.

MS. SYMONDS: So Fresno county, do you do --

**MR. SMART:** That probably would be considered urban.

MS. SYMONDS: Okay. So Western Fresno wouldn't be included.

**MR. SMART:** We don't really break it out that way.

MS. SYMONDS: Okay.

**MS. PARKER:** Toni, we're happy--we're just around the corner from you--to come over and spend as much time as you would like going through the programs.

MS. SYMONDS: Okay.

MR. SMART: Sure.

MS. PARKER: We usually do that for a new Board Member. So we could go into great depth and give you some different kinds of material to read to bring you up to speed.

MS. SYMONDS: Okay, thank you.

CHAIRMAN WALLACE: Okay. I want to move. Bob.

MR. KLEIN: I actually think this comment on trying to avoid leapfrog development or encouraging leapfrog development, is a very good one. We clearly have enough demand in the program. We have excess demand, we are increasing our rates to defer demand. I think the staff should really look and see if we can have a simplistic, check-the-box, we are not involved in funding leapfrog development-type approach. We would learn a lot by looking at what your experience is in the other program.

CHAIRMAN WALLACE: Well, I'd suggest that needs further discussion.

MR. KLEIN: I'm not suggesting we move in an action item. I'm suggesting we can learn from the experience here and it's a good suggestion. If we can see what the other program considered it would be a good thing to look at.

CHAIRMAN WALLACE: Maybe. But I think your input would be valuable if you do come over, Toni, and kind of air that out with us. Because I wouldn't want to jump to the conclusion. It could be very inclusionary in some valid circumstance. We're not there yet. And right now we want to serve the broad geography of the entire state of California.

MS. SYMONDS: No, I completely agree. It is a policy that you have to look at carefully.

CHAIRMAN WALLACE: Yes.

MS. SYMONDS: More than happy to help.

CHAIRMAN WALLACE: Okay, thank you. CaHLIF is next. I have asked Angelo if he would Chair temporarily in Carrie's absence.

MR. SCHIENLE: Thank you, Mr. Chairman, Members of the Board. I have prepared three slides for today in which I try to summarize the plan with bar charts, then by way of comparison, have set the information in the context of time. The first one I have is insurance by mortgage investor. As you know, we started with CHFA as our mortgage investor and over time, two-thirds of our applications are from CHFA. $1.4 billion of $2.2 billion we have received even to date. More recent arrivals are the GSEs, Fannie Mae and Freddie Mac, and then finally, the newest arrivals are PERS and STRS. So in terms of history, CHFA remains the dominant source of business for us. But in terms of time we use the in-force, the presently insured loans, and in that case CHFA has 50 percent of the loans we currently insure, which is about equal to the combination of Fannie Mae, Freddie Mac, PERS and STRS in combination. So currently CHFA has 50 percent of the loans that we insure. Obviously, that portrays a trend of moving from CHFA to other mortgage investors and also the trend of adding mortgage investors as we move forward.

The second slide is the business by product, which we portray in the plan by the types of loans that we are doing. Currently we are meeting our goal for the year of about $400 million of business. For next year and the ensuing four years we are projecting $700 million in annual production. The main difference is for the succeeding years we are embarking on a program with an 80 percent first with a 17 percent deferred silent second. It is intended for high cost areas and it will mainly be used, first of all, in the Santa Clara Housing Trust Program so that borrowers can qualify at an 80 percent mortgage payment. In their case their target is a $475,000 loan. We can meet that demand at 100 percent of median so we fit within reasonable income limits, making very large loans for the Santa Clara area.

For this year and next our CHFA production will remain stable at about $40 million. Our 100 percent loan program, which we had a discussion of about three years ago, continues to be damaged by limitations in terms of credit scores. We have, essentially, a 660 minimum credit score. Until we are able to crack that barrier, production will never be significant in the program. However, we are working on adaptations. We have a potential purchase rehab program with Freddie Mac using the 100 percent loan program. There are reasons to keep it in our stable of products but it will need work before it becomes a big producer.

The newest arrival for us is the **STRS** program which is 100 percent financing. It's a 95 percent first and a 5 percent second and that has been way beyond what we anticipated. We projected $50 million last year and it has been $150 million. We are continuing to project that at $150 million. Our 97 percent loan program, which is usually used in conjunction with an RDA and a pledge pool for losses, and often a 3 percent silent second so it's 100 percent financing, also is a growing program and it does well. We have credit score limits there of 620 and that's a major differentiator.

And then as I mentioned before, our last program is the 80/17. **STRS** is committed to doing that program ***so*** we would expect that that's going to be a major producer, probably beyond what we expect at this point, along with Santa Clara Trust. There are other interested areas that want to get into the 80/17 as well because it is a high-cost area program.

The last slide I think is interesting in terms of how we often describe our losses. We usually speak in terms of loss ratios, which most people do not understand because that is a reflection of the premium we charge.

In this case I am portraying it in terms of basis points of loss on the insured portfolio. So you can see for the last six years we have had a very large S curve where in 1995 we had something over 30 basis points of loss, it built up to our peak in 1997 at about 55 basis points of loss on the whole portfolio, and since then we have gone into a dive, a fortunate dive, reducing the loss ratio even down to a negative number on the portfolio until last year we had a zero loss ratio. Then, by way of comparison I have put in Freddie Mac's portfolio losses for the last three years which are 4 basis points, 2 basis points and 1 basis point.

So actually in terms of portfolios, for the last three years we have been better than Freddie Mac. That's remarkable that Freddie Mac operates on a national basis and is in the loss tier after mortgage insurance and we ended up, for those three years at least, a better loss on our portfolio than they did on a national basis. But understanding that in the previous three years we reflected the California economy and had loss ratios and losses on basis points that were in some cases to the equivalent of our premium. We charged, for example, CHFA at 55 basis points and our losses for 1997 were about 55 basis points so that was a break-even year.

MR. MOZILO: Bob.

MR. KLEIN: Are we getting better geographic diversification with the additional volume? Is that going to help us temper the volatility?

MR. SCHIENLE: I don't think geographic diversity will change that at all.

MR. KLEIN: For example, right now it appears that Southern California, the economy in the LA/Orange County Basin is still fairly strong, whereas in the Bay Area it's falling off significantly. How well diversified is the insurance portfolio we have and will that difference in the geography mitigate our loss experience?

MR. SCHIENLE: Our major target is Los Angeles. Los Angeles has 30 percent of the population and we have 30 percent of our business there. That's kind of our bogey. We target high-cost areas so we will always be susceptible to high-cost area volatility. But in fact, in the last downturn our losses were more severe in terms of the business we wrote in the non-high-cost areas because we were experiencing adverse selection. There where borrowers who did not qualify for FHA who were sent to us. I think it is best from an insurance perspective if you do a broad array of products in depth and avoid adverse selection. That is really one of the pitfalls.

MR. MOZILO: . John, two questions. The limitations on the FICOs. Is that from rating agency limitations, the 660?

MR. SCHIENLE: No, that's from the GSEs who beginning with the DU last November are now doing level pricing. Level pricing is three levels, for Fannie Mae at least, that as you have lower credit scores, and with borrowers that we deal with who have no equity, they charge a premium over the standard rate they might offer that borrower. I see it as a contest of business interests, if you will, between them and us because we are trying to offer 50 percent coverage and not have the borrower pay more. They would prefer to have limitations in terms of what we do and have the borrower pay more to them.

MR. MOZILO: That's the loan level pricing that both of them have adopted.

MR. SCHIENLE: Yes.

MR. MOZILO: How do you get to a negative claim?

MR. SCHIENLE: That's essentially over-reserved so that when the loans cured that year we were over-reserved for the loss we would have paid.

MR. MOZILO: Thank you.

MR. KLEIN: I was wondering that too.

MR. MOZILO: Any questions of John? Okay, thank you very much, John.

MR. SCHIENLE: Thank you.

MR. MOZILO: Okay, Terri.

MS. PARKER: Linn is next to do multifamily.

MR. WARREN: Good morning, Mr. Mozilo and Members of the Board. It's my turn to do the Multifamily Business Plan. What I would like to do is start with some perspective of our production over the last year and over the last five years as a framework for where we are going to head for next year and for the coming five years.

This first graph shows our production starting with fiscal year 1995. As you can see we have had a steady progression in both commitments and closings since 1995. What I think is interesting about this graph is you see the close correlation between the actual loan commitments and the actual closings that have occurred. What that indicates to staff is that we have a very low fallout rate of projects that we have underwritten. Occasionally they do fall out for good and valid reasons but we are pleased that for those that we do take to the Board, the vast majority do fund as expected.

This is a graph of the Board approvals for this fiscal year. As you can see, our production goal for 2000 was $200 million combined. We exceeded that goal with an estimate of'$284 million by the end of the fiscal year. By way of comparison, interestingly, this $169 million figure that you see in December is roughly equivalent to the production for all of 1999 fiscal year. So essentially in a half year we accomplished our full year's goal before. So, again, we are very pleased that we are able to exceed our goals with a fairly good margin.

I think it is worthwhile to note that there is a shift in the makeup of our portfolio. This is an interesting graph, again going back to the commitments from 1995. In 1996 you will see the yellow bar which indicates a significant increase in new construction. This was a result of two things the Agency did at this point in time. We lowered our interest rate for our multifamily product and also the industry at that point in time was just beginning to get used to bonds and credits.

Although it is normal underwriting today, at that point in time in 1996 the credit industry had not quite fully embraced these loan products. So we sort of stole the march a little bit at that point in time. The following two years--or three years actually--the industry, essentially, caught up with us and, for lack of a better term, took away market share. In 1998, at the direction of the Board, we undertook a very aggressive preservation financing program which is indicated by the red bars. Again in 1999 we did a very large amount of business, not only for our own purposes but in comparison to the rest of the industry.

And interestingly again, in the year 2000 our preservation level has reduced and we like to think it is because other credit players in the industry have taken up preservation as an acceptable form of making loans and consequently our involvement in this area is reduced somewhat. At the same time we felt it was important to balance our portfolio with more new construction. Consequently, in the year 2000 we have almost an equivalent amount of new construction lending for the first time in quite some time. Again, mainly due to our linkage with HCD's MHP program.

So we think this is a very good goal. We want to continue this balance. Throughout the rest of my presentation you will see how we have tried to incorporate this in what we are doing. This is just, again, a kind of reiteration of the breakdown of our production. Again, you are evenly balanced here between Preservation and New Construction with an increase in Special Needs. And the Acquisition, the green wedge, are really market rate projects that we take into affordable.

For the coming fiscal year we are looking at $110 million for preservation and later on I will give you a more specific breakdown. But this also includes our 236 portfolio that we purchased from Fannie Mae last year and Agency portfolio Section 8 loans. We have a component or a subset of that portfolio that we refer to as mismatches. These are loans in which the Section 8 contract will expire before the loan amortizes completely and we believe these are at risk. The affordability restrictions after the Section 8 contract expires are somewhat vague so we think it is appropriate to try to put a refinancing program in place within our own portfolio to continue the affordability for 30 more years. This falls into our preservation efforts.

The second area is New Construction. Again, the parity with preservation of approximately $120 million. Again, we think this year one of the main vehicles will be linkage with the MHP program, but we also want to involve ourselves with the bond re-funding, which I will discuss in just a moment.

Special Needs is continuing, $20 million. The introduction last year of the Supportive Housing Initiative, or SHIA as it is referred to. We have a number of programs in our pipeline that link to SHIA. Again, we are trying to expand our lending here more in line with shorter term debt and recycling our Agency funds to do that.

So here we have our $250 million goal for the coming year, which is replicated for the subsequent four years. with that we believe, and these are just very rough estimates, 80 percent will be tax-exempt, that's both tax-exempt bonds and 501(c)(3) financing, and 20 percent taxable. Primarily those are taxable tails which are necessary for

CDLAC allocations.

What are our objectives and what are we trying to accomplish? As always we are a long-term permanent lender. We have occasionally looked at variable rate loan products in trying to emulate or copy Fannie Mae variable rate loan structures but at this juncture we do not see the need to do that. We offer a very below-market fixed rate product. The rest of the credit industry for commercial real estate is meeting the need with variable rate products and we do not see a need at this juncture to do so. However, that said, if the credit conditions change to where it might be necessary for us to develop such a variable rate product we certainly have the capacity and the expertise to do so.

Our second area is increase for new constructions. Again, portfolio balance, a recurring theme. The brownfield issues which I brought up in previous Board Meetings are accelerating. The legislation on this in Washington was very successful and recently passed the Senate. Regulations are being drafted and we are already being approached, particularly in Los Angeles, to consider brownfield sites and contaminated sites. We will have to come up with underwriting protocols to deal with both of those issues. But on urban in-fill areas, again, particularly in the LA Basin, we are going to be asked to address'these fairly quickly.

Maintain our preservation program levels. We do not see a need at this juncture to really increase this past $100 million unless we are really asked to. It is a staff capacity issue but we also find that other credit providers are meeting the needs of other borrowers. So we want to innovate, we want to stay in this field, but we have certain limitations about how much we can do. We want to try to maintain our level at about $100 million.

A couple of other goals: As we have with our capacity for coming up with innovative financial structures, under Loan-To-Lender and bond re-funding we will leverage our financial capacity to do these types of products, which includes low interest rate loans during construction and bond re-funding issues at, again, below market rate loans. So we want to leverage whatever kind of financial capacities that we have.

New loan products: Localities are having increasing say over the types of deals that are done in their backyards and we recognize that. So we want to make sure that one of our goals is to work in conjunction with localities on both loan products. If we defer to them to be the issuer with some other credit provider we think that's fine. But we will look to partner with locals. We have had a lot of success over the last year with the City of San Jose and the City of San Francisco and we hope to continue that.

As state and federal funds become available we will certainly develop products to deal with that. New Markets. The New Markets Credit Initiative is a good example of that. Conversely, as state and federal funds may contract one of our goals would be to fill the gap. And the final issue, which is --

CHAIRMAN WALLACE: Hang on, Linn.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Question.

MR. WARREN: Yes.

MR. KLEIN: On the New Markets. You are referring to New Market Tax Credit Program?

MR. WARREN: Yes.

MR. KLEIN: What is the status of California for, specifically projects for CHFA, on mixed-use projects being eligible for New Market tax credits?

MR. WARREN: The regulation is being drafted; as I understand they are in process now. They have got a fast track, Mr. Klein. We are waiting for those to come out. But one of the things we are looking at is once those are done our anticipation is exactly that, mixed-income, mixed-use with commercial, more specifically. Market rate components, urban in-fill, all of the above. When I mentioned the in-fill component for the LA Basin, and probably more appropriately for San Francisco, higher income levels, moderate income levels. And I will get into a moderate income program in just a minute. That is my expectation. Until we see the regs it is going to be tough to say. But that is what we anticipate to happen.

MR. KLEIN: And, Mr. Chairman, separate from the new products, at the end of this increment if we could go back and have a question to Ken related to what is the yield impact of having a 20 percent taxable tail on our multifamily financing. The blend of 80 percent tax-exempt and the 20 percent taxable tail. I think we are being very effective with that. I would like to find out the answer to that question.

MR. WARREN: The final bullet point here is adaptive programs and changing conditions. One of the roles of the Agency has always been if there is a contraction of credit in the commercial area, one of our goals is to step into that breach and try to fill that gap. Obviously, this plays into the energy situation, which we are taking very seriously, and incorporating into our underwriting. So as the terrain changes, part of our job is to come up with programs that meet those issues.

New programs: Again, Loan-To-Lender. You folks have all seen these before. The Loan-To-Lender is, essentially, the passing through of below-market interest rate to a construction lender who in turn adds their stack or basis point increase for the construction period. These are all linked with the MHP program; we are now looking to link these with non-MHP products. The second program is local bond re-funding. Again, this is where the locality is the bond issuer. Again, this goes back to the local control issue. We come in after the construction period is complete and we re-fund those bonds, giving the projects the benefit of our long-term interest rates.

In both of these situations we are trying to take our existing loan underwriting process, add additional components to meet the needs, again, of the costs and locality involvement, without changing wholesale our loan production process.

Our new program development: We have three or four areas that we are going to focus on for the coming year. The first is assisted living. The Aroner bill 499 is gathering speed. The first working group meeting--by way of information to the Board--is next week. Our goal is to become actively involved in this. Our goal is to represent affordable housing to a large degree in this. From that standpoint we want to build financial models to try to deal with issues and situations that are unique to assisted living.

So, for example, one of the big problems with assisted living is the stabilization period for the first two to four years. We may want to look at a stepped-rate loan program for that period of time to encourage stabilization. How does this work via the Medicaid waivers and such? There's lots to be done here but, fortunately, there's a lot of players. DHS, Department of Health Services, is leading on this but we need to work with the Long Term Care Council and the California Association of Homes and Services for Aging, which is CAHSA, which is also a co-sponsor of the Aroner bill. This is a long term. This is a one-to-two year process but it really does begin now. So we are excited about being involved in that.

The second area is moderate income, which Mr. Klein referenced. There is certainly a debate going on in Washington today as to what is the focus of new production for multifamily, whether it should be extremely low-income or moderate. California does have some unique issues so we have initiated a program to look at developing a moderate income model. Taxable financing, shorter term debt, higher degree of real estate risk because the rents are higher and what do we need to do to hedge that risk. Also to encourage private equity investors. How can we address the re-syndication of investors in these types of projects and how can we link with redevelopment areas and the New Markets Initiatives.

So this is, again, a bit of a departure for us but our borrowers have asked that we look at this loan product and see if it can fit into the CHFA program. Obviously, very select areas. Urban, higher income ranges. Certain areas would be precluded from using these. But we think this is a worthwhile program to pursue and let's see where it takes us.

CHAIRMAN WALLACE: What is the timetable, Linn?

MR. WARREN: We have already started. My guess is within about two or three months we will have a working model up. It is fairly easy to run the numbers. The hard part is to sit down with borrowers and is there an interest. And more importantly, equity investors. What we are finding, unfortunately, Mr. Chairman, is that these will all require some sort of locality financing to make them work, particularly redevelopment monies. They are just too hard otherwise. So the question for the localities is going to be, are they interested in participating in a moderate income program in their redevelopment area, which is very likely.

CHAIRMAN WALLACE: So you're not going to be able to report back to us with what it looks like until maybe the September meeting?

MR. WARREN: I would think later on in the year, yes.

CHAIRMAN WALLACE: Yes.

MR. WARREN: That would be my guess

CHAIRMAN WALLACE: Ed, did you have a question?

MR. CZUKER: I appreciate the brief overview but I actually had three questions that relate to different parts of different sections.

MR. WARREN: Okay.

MR. CZUKER: First, when you talked about re-funding of bonds you put it in the context of a two year forward where you are taking out the locality. Could your program also include re-funding old bonds that have been out there 10, 15 years or longer and try to preserve the affordable housing limitations on them?

MR. WARREN: We do, Mr. Czuker. We tell the industry on a regular basis that we are open to those opportunities. As a matter of fact, we have a few that are coming in now in that area. The industry has kind of picked over those over the years pretty well but we think there are opportunities and we are trying to market that out to the industry. The short answer is yes, we want to do that.

MR. CZUKER: This actually relates to this same question but also to the moderate income last section, the last slide. And that is, what levels of minimum affordability do you think that CHFA would impose, first on re-funding old bonds and then secondly on this new concept of possibly doing mixed-income and moderate income. What levels of affordability in both categories do you think might be the standards that CHFA would like to set.

MR. WARREN: At this juncture we would still be required to impose our 20 percent at 50, I think, in both scenarios. I think that is pretty well established. Addressing the older bond re-fundings: Our goal has always been to increase the affordability over what exists today and we try to keep the guidelines broad. So if we have a number, 20 percent at 50 and a balance say at 80, we may want to have a second bucket, if you will, at 60 of maybe 20 or 30 percent. Some incremental increase in affordability which is really worth our while.

On the moderate income new loan product, again, back to 20 percent at 50. There might be, depending upon the area, the market and the economics of the deal, the balance at 60, the balance at 80 or some mix of that maybe up to 100. I think it depends on what the area is and how much local involvement is there in the economics. So my guess is we would not exceed 100 percent. I think it is going to be on a case by case basis.

MR. CZUKER: Lastly, on the last slide dealing with the new products of potential assisted living.

MR. WARREN: Yes.

MR. CZUKER: Under an assisted living model were you targeting independent pay or was it exclusively to projects that have government-assisted pay?

MR. WARREN: I think it is a combination of both. To make any assisted living project work there is going to be a market rate component. A blending of that between Medicaid waivers and independent pay as well. Every model we have seen to date has been 20 percent plus the balance at market. We would like to see 20, 30, 40 percent very low-income assisted but we still believe the balance may be at market.

MR. CZUKER: So 20 to 30 to 40 percent assisted.

MR. WARREN: Right.

MR. CZUKER: With government support and then the balance at market.

MR. WARREN: Yes.

MR. CZUKER: That would be in our underwriting. Which would be very, very similar to the concept on the moderate income portfolio on conventional apartments.

MR. WARREN: The assisted living, yes. The assisted living projects are still very expensive to run, expensive to build, and I think the market rate component is something we could probably never, ever completely get away from.

MR. CZUKER: Thank you very much.

CHAIRMAN WALLACE: Thank you, Ed. Okay, Linn.

MR. WARREN: Okay. Again, we'll move quickly on here. The Section 8 preservation. This is just a fine tuning of what we do already. Mezzanine financing, which is another way to say second loans for construction or whatever. The acquisition financing, we continue to press this. This is a valuable tool the industry would like us to keep going with so our acquisition loan program will continue. And with the Mark-Up-To-Market contracts that are being awarded, which in metropolitan areas are really quite large, we are finding that we can make more 501(c)(3) financings work and not rely upon bonds and credits. So we are going to push those, particularly in the Bay Area. Our next initiative is going to be expiring tax credit projects.

MR. KLEIN: And what is the MU2M?

MR. WARREN: Mark-Up-To-Market. That is where the -- I apologize.

MR. KLEIN: Okay. I thought it was a James Bond reference. (Laughter).

MR. WARREN: Yes, fine. Moving on to the tax credit projects.

CHAIRMAN WALLACE: It isn't? (Laughter).

MR. KLEIN: M-I-6.

MR. WARREN: You made me lose my flow, Mr. Klein. I think this year we are going to see our first nine percent tax credit projects. We have got a couple of programmatic guidelines. We want to use taxable financing, the 501(c)(3) financing, we don't necessarily want to rely upon new credits. Our new bonds. I think that it is appropriate to try to move these in to, particularly in the nonprofit area, 100 percent ownership. And I think unlike the Section 8 situation, we have an opportunity here to pursue single sponsor portfolios. Two or three or four projects in a block and I think there would be a lot of economies of scale. So this will be happening this year. We will be working in conjunction with CHPC, the California Housing Partnership and their folks, to develop models and to contact borrowers. We think the time has come for us to deal with this so we need to go forward.

And the last preservation issue, which is somewhat related to the assisted living is the 202 language. Congress recently, at the end of last year, came up with a number of revisions of the -- HUD 202s, by the way, are senior projects owned by nonprofits that are financed by HUD that now allow prepayments of these loans. Again, we think refinancing these with 501(c)(3) bonds is a good goal so once again we will be working with the industry. And with the fact that some of these can be converted to assisted living, this is worth our efforts. So again, this will be on our plate and we will start product development. Actually, that is going to start next week. We have contracted with some folks to help us with that. So again, another new loan product we need to work on.

Real quickly we'll finish off with the status of the 236 portfolio. At the last Board Meeting we asked permission to, basically, out-source a subsequent review of the portfolio. I don't think we need to do that just yet. What we found is there's a large component of owners that are nonprofits that want to talk about refis, which we can handle in-house. The for-profits that own these properties, we will take those sales on a case by case basis. They are still tough to do, still require subsidy from both us and the localities. We have talked' to the industry and said we are open and available to refinance and sale of properties but we are not going to come up with an off-the-shelf or a specialized program to do that, it is just too costly. So again, the nonprofits, as I mentioned, we will work on refinancing program.

Title II and Title VI, these are previously reserved programs that may not need our attention right now. The final piece is for the next quarter so we will handle the 236 activity in-house. If we need to go back to the outside we will come back to the Board and give an indication of originators and outside underwriters. So with that, be happy to answer any questions.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: If Ken could address the issue with the taxable tail. What is the blended effect on an 80 percent tax-exempt rate for mortgage delivery? Just related precisely to the taxable tail.

MR. CARLSON: Mr. Klein, Mr. Chairman. First, of course, I did want to -- I know Mr. Klein would like an answer to this question in particular but I did want to frame it a little more broadly. We do very few taxable tails. Most of the projects we do, the permanent loan is actually smaller than the amount that is needed for the tax credit so we are actually on the opposite side of that. I think what we have been doing is asking -- I think the blended rates we have doing for deals with taxable tails have been what, 50 basis points higher, roughly?

**MR. WARREN:** Yes.

**MR. CARLSON:** About 50 basis points higher --

**MR. WARREN:** That's about right.

**MR. CARLSON:** Than the rate on deals where there is no taxable tail. We have not been selling taxable bonds as part of an integrated structure with the tax-exempt bonds for particular taxable tails. As I reported at the last Board Meeting, we did sell about $25 million worth of floating rate taxable bonds just to take out about that amount of taxable tails that we had warehoused with available liquidity within the Agency. So we are not looking at it from that kind of structural point. A single project structural point of view as far as the financing goes.

MR. KLEIN: The reason I asked the question is on a Fannie Mae structure where your initial strip maturities principal are all taxable, a 20 percent taxable tail might be a 20 basis point yield movement. So my question is really, why would we be charging 50 basis given our general goal of stretching the state's allocation? We have done a splendid job of it in the single family side. What is it really costing us in yield? And we don't want to have a dis- incentive in our rate to people using the maximum leverage for CDLAC points, for example.

MR. CARLSON: Right. I think Linn's intention is, if we can capture any of that business at all, to make sure that our sponsors are getting a fair deal.

MR. WARREN: And we would look at an equivalent taxable rate and try to keep it -- For example, on some of our preservation deals that did require taxable tails we set the taxable tail rate at seven percent, which we thought was below market or felt was below market, for a 30 year period. But Ken is right in pointing out we are not seeing those very much. The taxable component at 20 percent really is special needs taxable lending, first lien, such like that. We are just not seeing that many tails.

MR. KLEIN: Well, speaking from the point of view where I have advocated generally that CDLAC go to a mandatory ten percent minimum taxable tail, I think it's good that we look at an efficient delivery and not de-motivate or dis- incentivize our borrowers to use a taxable tail. Because at a ten percent taxable tail it should be seven basis points or less. So the issue is hopefully we are going to set our yields not to create a lobbying force against a ten percent taxable tail, which would help the whole state stretch our tax-exempt bond allocation.

CHAIRMAN WALLACE: Okay, any further questions?

MS. PARKER: I think, Mr. Chairman, that concludes, basically, the staff's Business Plan presentation. Obviously, the proposal is for a five-year business plan or approximately $10 billion. I would point out that the contract programs are about $150 million of them. We will, obviously, come back and adjust that once we know what the action of the Legislature is and what our expenditures will be through the end of the year. If there are funds that will continue, given the reduction in the down payment assistance program, because some of those funds will be left over. So with that we, essentially, submit the plan for your consideration.

CHAIRMAN WALLACE: Well, I think you have done an excellent job. We have had more up-front participation than usual and it shows. I believe that with the necessary flexibility that you always have to impute into these it's a good model for us to proceed with. If there are any further questions either from the Board or the audience I'd accept them now, including a motion to accept the Business Plan.

MR. CZUKER: So moved.

CHAIRMAN WALLACE: Moved by Ed.

MS. NEAL: Second.

MR. KLEIN: Second.

CHAIRMAN WALLACE: Second by Pat. You want to hand wrestle over that?

MR. KLEIN: No, I'm waiting for a discussion.

CHAIRMAN WALLACE: Okay, it's been moved and seconded that we adopt the Business Plan as presented. Is there any discussion?

MR. KLEIN: I would like to commend the staff for the tremendous achievement, in the multifamily area in particular, and for the continued strong success in the single family area. Starting three and a half years ago when I came on the Board the multifamily program in particular was being nurtured on a special project basis but really needed a strong rebirth and it needed an outreach to the development community to show how proactive the Agency could be in this area. I think we have had some tremendous achievements. We owe a lot to the staff and to the Director, Terri, for the leadership they have shown in achieving those goals. Their success has been spectacular and I would like to commend them.

CHAIRMAN WALLACE: Any other comments or questions from either the Board or the audience? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Mr. Pavao?

MR. PAVAO: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

(No response).

CHAIRMAN WALLACE: We'll hold it open until he comes back.

MS. OJIMA: Thank you, Mr. Chairman. And Mr. Chairman?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Thank you.

MR. CZUKER: You skipped me.

MS. OJIMA: Oh, I'm --

CHAIRMAN WALLACE: He made the motion.

MS. OJIMA: Yes, Mr. Czuker, I apologize.

CHAIRMAN WALLACE: That can obliterate you, you know.

MR. CZUKER: Aye.

MS. OJIMA: Thank you very much.

CHAIRMAN WALLACE: So we have passage.

MS. OJIMA: We do have a quorum.

CHAIRMAN WALLACE: But lets hold it open until Angelo returns.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Resolution 01-18 is hereby approved.

**RESOLUTION 01-19**

Let's move on to Item 6 on our agenda, the discussion and possible action regarding our 2001/2002 operating budget. Jackie is here.

MS. RILEY: Yes, I'm here. Mr. Chairman and Members of the Board, we came in with a very modest increase in our budget this year of about 2.6 percent. That includes no increases in salaries; we know of none at this moment. It also included an additional six new positions. However, with the recent May revise, if those positions or the funds go away for School Facilities and CHDAP, the positions, the five that we have assigned to those two programs right now, will be redirected into other areas of the Agency. So we could really end up with a net of one new position for the year. And we do have the flexibility of doing that. Which is really nice to be able to redirect folks and resources when you need to. So at this point in time we are looking at $20 million budget but some modest increases.

MS. PARKER: Basically, the modest increases, 75 percent of them, are in operating expense. We have facility rent increases that go up no matter what happens to us. I do want to particularly thank Jackie for the outstanding job she and her staff have done to go through this and the diligence of the managers in the Agency to be mindful of continuing to keep us to be lean and mean.

CHAIRMAN WALLACE: Well, lean, anyway. Any questions? Toni.

MS. SYMONDS: How does this impact, or maybe it doesn't -- In the Governor's May revise he is asking for a 2.5 percent reduction and I don't know, is that per agency, per entity? And how does that get incorporated relative to this document?

MS. PARKER: The California Housing Finance Agency is off-budget because we are totally self-supporting.

MS. SYMONDS: So you won't be just generously participating.

MS. PARKER: We have nothing to give.

MS. SYMONDS: Okay.

CHAIRMAN WALLACE: We gave at the office.

MS. SYMONDS: I guess you already had your general fund money taken.

MS. PARKER: Right, right.

MS. SYMONDS: So that is certainly more than 2.5.

MS. PARKER: We don't benefit and we don't obtain.

MS. SYMONDS: No symbolic gestures? I'm just kidding.

CHAIRMAN WALLACE: No. The answer is, no. Absolutely not. Not this time.

MS. NEAL: But you should clarify that you don't have any general fund money.

MS. PARKER: No, that's what I said. We are totally self-supported.

MS. SYMONDS: And they took all your general fund.

MS. PARKER: Yes.

MS. SYMONDS: Or he's proposing to take your general fund.

MS. PARKER: Right. We have no general fund money.

MS. SYMONDS: Okay.

MS. PARKER: So in that sense, the general fund does not have to pay it and in that sense does not benefit.

MS. SYMONDS: Right.

MS. PARKER: The numbers that Finance has for the savings shown to use towards the problem are from general fund funded agencies.

MS. SYMONDS: Right.

CHAIRMAN WALLACE: Yes, Bob.

MR. KLEIN: I continue to be concerned that on our personnel level that we have adequate increases to deal with keeping and promoting the best people. We started out way behind the real estate industry in general. We are trying to be innovative and lead the real estate industry, we are technically more sophisticated than the conventional industry and our financing structures and our programs a great deal more sophisticated. We need to, I think, aggressively be able to attract and retain individuals with tremendous dedication, creativity, innovation that are not necessarily required in comparable positions in terms of dollars in the traditional real estate industry. I question, do we have enough money in here to continue to try and catch up within the confines that are permitted in our structure with comparable positions?

MS. RILEY: The positions that are in here are, obviously, within those confines. We do have a contract right now that we are working with an outside consulting firm on a few of our classifications. Right now the word that we are getting from them and from the State of California are no new increases, no new salary realignments. The line has been drawn. So our hope --

Unfortunately, as the economy starts slowing sometimes that is a good time for us to be out in the market looking for people. We were fortunate last year in Sacramento when the Money Store actually closed down rather suddenly. We were able to pick up some very good staff on our home ownership side. So we do tend to benefit from those kinds of downturns.

MS. PARKER: Mr. Klein, just to also add to that. We have gone out and done some exams recently to the extent that we have not been able to find qualified candidates for some of our positions. These are all the things that we are doing to document the opportunity to submit them for consideration for salary realignment issues. We are continuing to have that contract, do the work. We will be going in, we'll make our case that we are solely supported, it does not impact the general fund. We will continue to collect and raise this sort of data to see if we can make our case.

MR. KLEIN: I believe strongly, obviously, that the Agency being self-supporting was intended to have this kind of flexibility when the legislation was originally passed. Of course, the Governor was the Chief of Staff and was a very active participant in that process and I think he ascribes to that specific philosophy, at least the last conversation I know of. But the intent here is to --

I think it's very important to push this agenda because we are not only within California trying to be innovators but the Agency has gotten a number of awards through the nation as an innovator. We need to recognize that to keep people of that level of talent that it is extremely important to recognize them personally in the compensation levels that we provide. I am not sure we are doing enough. I do not think we are doing enough in that area.

CHAIRMAN WALLACE: Bob, do you sense there's a problem? And if so --

MR. KLEIN: I think that --

CHAIRMAN WALLACE: A lofty goal you're talking about but I don't sense there is a lot of turnover. I think it is certainly --

MS. RILEY: We have very little turnover. Last year we probably had the most and that was really a result of the enhanced retirement plan. We had 13 folks retire last year, which for us was a lot of turnover. However, when I looked at some numbers, we are actually 11 -- we had 11 positions more filled at this time last year than we had last year at this time when we lost the 13 people. So we really made some significant strides. We were working really feverishly trying to find folks. As Terri mentioned, we had some good successes but we also didn't have success in some areas. Those are the kinds of things that we need to be able to document and take forth as far as making our case for additional salaries.

CHAIRMAN WALLACE: I think that's fine. Your admonition is laudable but my sense is -- When I ran a state agency up there CHFA was always the place to go, if you could, because of the creativity, innovation and the fact that it was self-supporting and it didn't --

MS. RILEY: They weren't subject to the --

CHAIRMAN WALLACE: It wasn't subject to a lot of the personnel policies and the other things. That was a great place to end up. So we have, I think some innate ability to attract, which leads you to the conclusion that there typically is year-in, year-out, not a lot of turnover.

MS. RILEY: We are doing well despite the fact that salaries are not comparable to the outside market.

MR. KLEIN: The 13 people, when you went to replace them. As you say, you are doing your best to document what happened. My impression is I would love to get some better information but my impression is that there were a number of instances where if you had been more competitive in the salary range there are other people that you could have additionally got. Not to say you didn't get some good people. I think this is a point of continual focus and I would love some additional information on where you think you are on a competitive basis with the private sector.

CHAIRMAN WALLACE: Not now.

MR. KLEIN: No.

MS. RILEY: Thank you.

MR. KLEIN: Not now.

CHAIRMAN WALLACE: Maybe late in the year's agenda when we are not quite as behind.

MR. KLEIN: Well, they can send me some information without it being even a meeting.

CHAIRMAN WALLACE: That's fine. Yes, Ed.

MR. CZUKER: First, I would like to wholeheartedly agree with Mr. Klein's concerns and comments. I think we always have to be concerned about attracting the best and brightest, and of course,'compensation salary packages are an important part of the corporate culture appeal to bringing in the right people and maintaining longevity. But I also would like to point out that in the budget if you look at actual for 1999, which was approximately $11.5 million, and the proposed for 2002, which is approximately $14.8 million, that is an increase of approximately 30 percent. So we are trying to address setting aside greater resources for personnel and benefits, which I commend and support and wholeheartedly agree with Mr. Klein's comments. I would like to, however, ask a question which relates to Operating Expenses.

MS. RILEY: Yes.

MR. CZUKER: You see two largely proportional increases, one in Facilities Operation and the other in Professional Services. I'd, perhaps, like some comments as to why those two jumped, perhaps, a little bit more than straight line growth.

MS. RILEY: The answer to Facilities is that this past year in Sacramento we have taken over additional space in the building. We now have well over 45,000 square feet in that building, which is about a third of the building. We also had built into our lease some rent increases. Those rent increases are also on a yearly basis for our Culver City lease. So that is strictly additional space and additional increases in the rent for space. This next year during the next fiscal year we will be renegotiating the lease for our Culver City office also. As of right now the rates have gone up considerably since when we locked up that lease five years ago. So we are going to be expecting, probably, some more.

On the professional services side, primarily the increase in that is that our multifamily accounting and also multifamily have undertaken this very large project that will require an outside ASP provider. We will be using some of their systems and that is costing us an additional hundred-and-something to do. Our previous accounting system on multifamily was a homegrown system and it has been modified over the last 13 years. It is no longer working with all of the types of loan products and the financing mechanisms that Linn and his shop are doing and we needed something that was a little more high-powered, a little more sophisticated. Because we have a number of accountants on new loans that are tracking them by hand, they just don't fit our system. So we have spent a lot of time and energy looking into a comprehensive package that will help asset management, the front end of Linn's group in multifamily and also the folks in accounting keeping track of those loans. So that's the primary difference there.

MR. CZUKER: Thank you very much.

CHAIRMAN WALLACE: Thanks, Ed. Any further questions, either from the Board or from anyone in the audience? The Chair will accept a motion to approve the budget as presented. Hearing none, we are out of luck next year, you guys. Shop your resumes.

MR. KLEIN: I'd like to make the motion.

MR. CZUKER: Second.

CHAIRMAN WALLACE: A motion by Klein and Czuker seconds. Any discussion on the motion? Then, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Mr. Pavao?

MR. PAVAO: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Mozilo?

MR. MOZILO: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Approval of the operating budget, Resolution 01-19 has been approved.

CHAIRMAN WALLACE: Resolution 01-19 has been approved. Okay, we are --

MS. OJIMA: Mr. Mozilo.

CHAIRMAN WALLACE: Angelo, on the prior motion relative to the Five-Year Business Plan you were out of the room.

MR. MOZILO: Aye.

MS. OJIMA: Thank you, Mr. Mozilo.

CHAIRMAN WALLACE: Does that mean you agree you were out of the room or your vote?

MR. MOZILO: Both.

CHAIRMAN WALLACE: Okay.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Thank you. You will be pleased to know that yours was the tie-breaking vote.

**OTHER BOARD MA**

Okay, on to Item 7, other Board matters or reports. I know that we want to talk about, as I have already announced, talk about AB 999. Is there anything else that would come up? Bob.

MR. KLEIN: Mr. Chairman, I have two very quick items. One, given the tremendous movement in utility rates I would like to request, and I believe the staff in fact is working on this, that for the next Board Meeting we get a chart presentation or the appropriate narrative form that the staff decides on, on what programs are out there that our sponsors and tenants can benefit from, federal, state or utility-based, and their funding source for mitigating the impact immediately on tenants.

Generally, the tenant utility allowances won't be adjusted for a year so they are going to take the brunt up front unless there is some affirmative outreach with information to deal with this issue. And it can help the sponsors look to providing long-term sources of support so we don't get into a hardship situation in many of our projects.

The second item is that as we look at our portfolio in the context of this, and I know our staff is proactively doing that, for projects that are underway within the last two years, technically on a legal basis they could apply for additional tax credits for energy-targeted conservation or alternative power to mitigate these problems as well as for our pipeline projects going forward.

If the staff could potentially discuss with the Honorable Jeanne Peterson, as Director of TCAC, an expedited program where CHFA, just like any other sponsor, might have a short form method of applying for supplemental credit, tax credits for energy-targeted reinvestment, this would proactively help protect these projects and the tenants. The cost of going through a whole resubmission for these tax credits is prohibitive in many cases but if there were a short form targeted program maybe we could take the leadership in figuring out how to work with TCAC on that, if Ms. Peterson thought that was an appropriate thing to discuss.

MS. PETERSON: Certainly.

**CHAIRMAN** WALLACE: She says absolutely not.

MS. PARKER: I am taking notes and we will, essentially, be addressing both issues and the status **of** it at the next meeting.

MS. PETERSON: And certainly **I** would be happy to discuss that.

**CHAIRMAN** WALLACE: Yes.

MS. PARKER: Staff will work with Ms. Peterson.

**CHAIRMAN** WALLACE: Thank you, Bob.

Okay, on to **AB 999**. And I am sorry we are running over a little. I would like to keep this, say, to 12:30 time, which gives us about 20 minutes. A little background: We did discuss it, very briefly because it was fairly new to us, in our March meeting. At that time **I** reported that Dick

LaVergne, Terri and I had met with Ron Kingston of CAR who are the sponsors of Mr. Keeley's Assembly Bill 999.

Mr. Kingston is here and we invite, Ron, your participation. In addition, I think, to Di who is our Legislative Director, carrying on the discussion. Probably John Schienle ought to come up because it's your bailiwick. I've got Dick LaVergne who has been through the CaHLIF wars. Dick, why don't you be on standby because we only have two chairs up there right now, unless you want to bring one, which we can accommodate if needed. Dick, is that okay or do you feel slighted?

MR. LaVERGNE: (Nodded).

CHAIRMAN WALLACE: I know, you're happy where you are. In any case, we introduced the legislation to you at the time and I said we would bring it back for possible action, depending on the circumstances, at this meeting. It has not been agendized for action, in part because the staff, and it has the authority to act and typically does on all legislative actions, the Executive Director, Terri, has the authority to act in behalf of the Board because of just the nature of the legislative process. You just can't, sometimes, wait for bi-monthly Board Meetings.

The staff has done an analysis. We did fax that to you, both the short form Executive Summary that Mr. Mozilo asked for at the last Board Meeting and I decided to augment that for those of you who wanted a little more in-depth background. So you should have received via fax in the last day or two. With that I do believe it is appropriate --

And again, you cannot take action because it is not up for action today. And you do not really have to though you might want to, because it is a fairly serious part of our whole operation as you already know. In general, if you wanted to take action beyond that which the staff and Ms. Parker have already taken, which is basically do an analysis and recommend an oppose position which has been taken through Agency and to the Governor's Office and has basically, as I understand it, has come back supported through both the Governor's -- It's really the Governor's decision, with recommendations via Agency. The Governor's Office, I understand, and Di you can confirm or embellish, has taken an initial oppose position based on the bill as it is currently going through the legislative process.

With that, I still feel we need to have some opportunity to better understand the machinations of the bill and hence, Di, you and John and/or whomever should give us a brief overview/background of what the effects may be of the bill and so on. I should say also, parenthetically, CAR -- As I told you last time, we have met with Ron Kingston who is their legislative advocate on this bill and CAR's Executive Vice President, Joel Singer, has called recently and requested a further meeting with us, which we are in the process of trying to schedule. My guess is that won't take place until shortly before our next Board Meeting.

So with that, Di, do you want to lead off and give us your thoughts on what's happening.

MS. RICHARDSON: Sure. I'm assuming most of you have had the chance to read the material that we provided to you. I'm sorry I could not keep my Executive Summary to one page; I just can't keep anything to one page. But basically what the bill would do is move CaHLIF out of CHFA, set it up as a separate entity with a separately appointed Board. It would require CHFA to continue its $65 million pledge to it as an outside entity. It originally contained $110 million from an unspecified source as an additional source of capitalization. That appropriation has been deleted from the bill at this point and it takes the money that CaHLIF currently has and moves that along as well.

The bill was heard before the Assembly Housing Committee. Prior to that hearing Terri, Dick LaVergne and I had an opportunity to meet with Mr. Keeley and briefly discuss the bill. You should know that he only has wonderful things to say about CHFA and CaHLIF, he thinks we do a great job. He is very happy we are out there; he thinks we reach out to people that need to be reached to. He made an effort to make sure that we were not viewing this as a hostile attack because he thought we were bad people or you were a bad Board. But with resources being limited for a number of programs he is looking for a way to simply take what is there and do more.

It was his understanding that because of CaHLIF's credit rating that they could do only a limited amount of business. And because of that credit rating they have to provide deeper coverage on the loans that they insure. That by having them under CHFA they will never have a higher credit rating than CHFA, so that we were somehow hindering their credit rating, and by moving them outside of CHFA they would have the opportunity to have a higher credit rating and be able to do more of the good thing that they currently do.

We have had discussions with Mr. Keeley. Brief discussions, I have to say, because Mr. Keeley is really in the middle of the whole energy situation. But we have had a lot of discussions with his staff and others and explained that the depth of the coverage for the loans that CaHLIF does has nothing to do with the credit rating but more with the risk associated with their portfolio. A large portion of their portfolio is 97 percent and above loan-to-value and so those, obviously, contain more risk and require deeper coverage.

So we are continuing to have those discussions. The bill did move out of the Assembly Housing Committee. It went to the Assembly Appropriations Committee where it was placed on the suspense file. I'm not sure --

CHAIRMAN WALLACE: Tell us what that means.

MS. RICHARDSON: When a bill has a fiscal impact there is a threshold that is established, and I think it was $150,000 this year. Anything that has a cost above that goes to a special holding file or suspense file where they wait until they finish some budget discussions and they know how much money they are going to have to spend and then they will prioritize and decide which bills they are going to pass. So at this time 999 is on the suspense file in the Assembly Appropriations Committee.

We do have an oppose position on the bill. I just want to clarify, that is our position. I don't know that I would characterize that as the Governor's position. The Governor's Office did approve that position but I don't know that it is fair to characterize that as the Governor's position.

CHAIRMAN WALLACE: Okay. Anything else? John, any comments? How do you feel about going into a separate agency?

MR. SCHIENLE: Well, I view myself as the manager of a fund. As long as the fund is aided, and in this case by capital, I think that is a benefit to the fund. But without looking at the source of where the funding is coming from, in this case from the state, adding more capital to the fund, from my point of view, is good. The fund has grown a lot and this is sort of serendipity that the realtors want to separate CaHLIF from CHFA. That has nothing to do with me, that's the realtors' point of view. But if what they intend to do benefits the fund then I'm for it.

CHAIRMAN WALLACE: Yes, Angelo.

MR. MOZILO: One of the primary reasons for doing this, as stated, is that it would get a higher credit rating if it was removed because the credit rating is being stymied by CHFA. Can you give me an idea of the mechanism by which it would receive a higher credit rating. How would it achieve that if it were separated?

MR. SCHIENLE: Well, the original CHIF was formed and the negotiations were made before I got here and Dick LaVernge knows more about that than I do. But when CHIF was formed the rating agencies, I believe in the spirit of a conflict of interest, created a very definite mechanism so that there was a good deal of independence of CHIF from CHFA. In 1993 when the realtors had a bill to do essentially the same thing then, as a result of the negotiations CHIF was renamed CaHLIF and brought back in under the umbrella of CHFA. Then CHFA agreed to pledge funds in support of CaHLIF. So at that point I believe it was recognized by the rating agencies that CaHLIF was a part of CHFA and the safeguard over independence was capital. That there would be a pledge of more money so that if CHFA operated to the detriment of CaHLIF it nevertheless would be paying for the cost of that.

CHAIRMAN WALLACE: Dick, you want to help us a little.

MS. RICHARDSON: You know, I think I want to add something also just sort of to clarify what John said. Adding more capitalization to the fund, that he'd be in favor of that. I don't think when we looked at this bill it was clear to us that this bill added more capital to the fund. Because if you move it out of CHFA you have to recapitalize it. As the parent company, they look to our funds as sort of the capitalization for the fund, we sort of back them up. So if you move them out you have to have a certain amount of reserves. And it's not clear to us that at the $110 million level, or whatever it turns out to be, that's just what it will take to move it and make it even with what it is now at CHFA.

MR. KLEIN: Do I understand correctly? *Any* chance for any additional money in this fund from the general fund is out. So if that is true, John, is there any benefit at all to this bill? There is no more money that is going to go into CaHLIF from this bill.

MR. SCHIENLE: Well, I'm not the sponsor nor the negotiator, I'm just the beneficiary if there is any.

MR. KLEIN: But do I understand correctly that in this economic climate there would be no additional money going into this fund?

MR. SCHIENLE: That is my understanding.

MR. KLEIN: Okay. So in that case you would not be for it because there is no benefit to the fund.

MR. SCHIENLE: Right.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: Dick, you have been through all these wars. LaVergne, you want to enter into it again? Any background --

MR. LaVERGNE: I don't think I would characterize it as wars.

CHAIRMAN WALLACE: I understand.

MR. LaVERGNE: It's definitely an interesting process.

CHAIRMAN WALLACE: Yes.

MR. LaVERGNE: To respond to Mr. Mozilo's initial question on the process for the rating. The rating agencies in 1989 gave CaHLIF an A-plus rating. That was based on -- Because CaHLIF at that time had significantly less reserves than what would be required from an insurance entity, which from the rating agencies' perspective at the time was capital available of approximately $200 million, whether that was from the insurance entity itself or whether it was the pledge from the parent. CHFA by virtue of its reserves, and essentially doing double duty with its reserves, having security reserves to back its programs, those reserves were used not only on a program basis but were accepted by the rating agencies as meeting that capital requirement.

In terms of the potential -- In terms of the independence, when CaHLIF was initially given the rating it was requested by the rating agencies that they initially have their own legal staff, their own administrative support, their own accounting staff, etcetera. In 1993 when essentially this issue was re-raised with the rating agencies they dropped those concerns. They felt that those were not the primary concerns that they actually had and saw the benefit of, essentially, consolidating those support services which to this day is the case. There is no longer any separate administrative structure for CaHLIF.

However, what they were interested in was to assure that in terms of CHFA's management of the fund that there would not be a conflict of interest from the part of the lender to the part of the insurer. The rating agencies specifically requested 'that in order to address that and to resolve any concerns that they had would be to set up a separate committee made up of Board representatives that would respond to issues that CaHLIF needed to have addressed in the area of claims, underwriting and premiums. This committee, in effect, would act as an appeals process in the event that there were issues that needed to be addressed in those areas. As a result, the Board in 1993 established that committee. It is called periodically by John for updates on the program, and if necessary, to address any issues that might arise.

As a result of that process and in specific discussions with the rating agencies they no longer had any concerns at all regarding any possible conflict regarding an issue. In fact, in subsequent discussions with the rating agencies they see CaHLIF and CHFA as integral to each other. They see it as it was envisioned at the time that the fund was first created with CHFA. It was created in 1976 and acted as a pool fund up until 1989. But saw the two as one and that is where we are today.

CHAIRMAN WALLACE: Ed.

MR. CZUKER: As I read it, I don't quite understand how the bill evolved with first, obviously, having the intention of generating more resources. But it seems like the bill sort of wants its cake and to eat it too. Where they are taking away the outside funding from the general fund of the $110 million that was proposed and instead are only looking to the CHFA committed funds of $65 million to be the support on the breakaway of CaHLIF. So how under any circumstances is that a good proposal?

CHAIRMAN WALLACE: Well, in fairness, Ron, I think we ought to invite you up, if you choose, to explain the rationale behind the bill that' CAR is proposing, either in its original conception or as it has evolved. Welcome.

MR. KINGSTON: Thank you. Ron Kingston, representing the California Association of Realtors. From the outset I think it is really important, as Di had mentioned, that this is not an issue that has anything to do with questioning the sheer abilities and capabilities of the staff nor the Board. Actually to compliment it, the Board and CaHLIF and the CHFA staff have done an excellent job. It has been throughout the years, since 1975 when the enabling legislation, CAR has been many times at the forefront assisting CHFA in legislative fights and trying to advance expanding your book of business. We have participated, for example, at the CDLAC meetings on periodic occasions when there have been questions about how those types of funds should be distributed and where they should be and the type of innovative programs that government could offer to utilize those funds.

What brought us to this is not this issue. The introduction of AB 999 was not in an effort to do anything that has been foreign to the realtors. In fact, Mr. Chairman, you are very well aware that CAR, even in 1993 when we had proposed AB 214 through Speaker Willie Brown, that we had initially looked at the template that this bill has today. And it was through a negotiation process that we decided to back off making a stand-alone entity within the Business, Transportation and Housing Agency based on one substantial commitment at that time by CHFA, and that was a commitment of the utilization of a $65 million pledge of money to capitalize CaHLIF for a temporary time period. We had made it very clear with the chairperson at that time, Seb Sterpa, and also the Executive Director, that it was going to be a temporary time period. We were very, very interested in expanding the book of business. That is, after all, our objective. To expand the book of business and to attract additional capital.

Mr. Klein, you have mentioned on a couple of occasions that by way of amendment that the bill proposes to not use any additional capital from any immediate source and that is absolutely correct. But that does not preclude us from attracting or talking with some significant capital resources that could provide money to CaHLIF to expand its book of business. In fact, we are in active negotiations with some of those entities today with the understanding, and their understanding, that we would do that if CaHLIF were part of the Business, Transportation and Housing Agency and reported to the Secretary of the Business, Transportation and Housing Agency.

The notion behind this, again, is threefold. And I want to really, primarily leave this with you. One, it is not to challenge the abilities of CHFA, it is to complement and expand the public purpose of providing housing for low and moderate income households. Two, it is to substantially increase the opportunities for homebuyers. To that degree, if we are able to do that by this mission then I think we are all advantaged. That serves the greater public purpose. Now, for example, in the bill, at the very end of the bill we have written language in there that requires Standard & Poor's to deliver a written opinion to the Secretary of Business, Transportation and Housing Agency to memorialize that fact. That fact being that it advances the abilities, it does not undermine CHFA's nor CaHLIF's credit rating, current credit rating. It does not hurt your book of business or your ability to operate and continue to operate as it is known today. That is really, really important. So we are not -- The attempt to, in a sense, provide a focus here is not to undermine or undercut anything. It is to take it much forward.

Now, admittedly, as you see under your Business Plan you have current, in force, a $1 billion CaHLIF portfolio. It is our firm belief, with improvement in credit rating and with additional capital, that we should be able to take that book and provide substantially more assistance to low and moderate income home buyers.

In your minutes, for example, it is the opinion of one of the people that commented at your last Board Meeting that it is not CAR's interest to help low-income home buyers. That, quite frankly, is not true. Our primary focus here is not to change CaHLIF, it's to keep its focus. It's to keep its focus on becoming and maintaining and sustaining. Become a niche mortgage insurer where the other MIs, the other seven mortgage insurers in the United States don't, quite frankly, play. They have different credit requirements for home buyers.

We do not propose to change the statutory direction with a mix. We do not propose to do this frivolously. We do not propose to do this for the spirit of debate. We propose to do this to help a number of other California home buyers. And to that degree I think we are all advantaged. And to the degree that we are able to attract additional capital sources and improve credit ratings which positions any governmental entity in a much better way, there leaves little question that that is our direction.

And as we've said to Mr. Wallace and Ms. Parker on a previous occasion, that is our opinion. If there is a better way than that of which we are proposing, we have encouraged that of them. We encourage the Board to do that too. It is our intent to take a very proven yet somewhat young state-run mortgage insurer and to really help thousands of more Californians. We have done a lot of the math in terms of where the market is. There was a question in the last minutes about, there is no market for first-time home buyers. That, quite frankly, does not jibe with every amount of economic research that the California Association of Realtors has ever produced.

CHAIRMAN WALLACE: Why don't you do it under the CHFA umbrella? You're saying we are a successful organization. Why do you need to separate it?

MR. KINGSTON: There are some limitations. From that of which we know -- We have read a number of Standard and Poor's analyses. They indicate very clearly that this entity, CaHLIF, is running at a better than triple-A credit rating. Yet we know that CaHLIF can never ever be better than its parent.

We also know that there is no other mortgage insurer in the United States that is able to operate or be controlled by a lender because there are several states that have adopted what is referred to as a monoline of insurance act, which says, no lender can financially control an insurer. And there is sound justification of that. I think there are 17 states that have adopted that monoline of insurance law for the pure reason to try to prevent this potential conflict of interest.

What Mr. LaVergne referred to about the creation of the insurance committee actually is well -- that creation of the insurance committee, according to the minutes of the insurance committee, met well before 1993 and has on a very infrequent basis met. In fact, from, I think, 1992 to 1997 it didn't meet, from the minutes that we reviewed. But that, in the eyes of the monoline of insurance act, would not be sufficient to create a clear separation between an insurer and a lender.

CHAIRMAN WALLACE: But if it's not broke -- If you want to expand the amount of business realtors and all of us can do in the low and moderate it seems to me, from my understanding of the credit rating that we just heard about, it doesn't jibe, what you're saying. You could do it under the aegis of a successful program, probably the most successful program of its kind in the country. Why don't you just go out and create your own? Then you can take realtors who are typically--and you and I know this--dealing -- They are disadvantaged from FHA in California for reasons that we have advanced for years. Why don't you just go create a state FHA that allows you to deal more of your members? Which I understand, it's laudable to get into higher loan limits and the like.

MR. KINGSTON: Mr. Wallace, there are two responses. We believe the template for CaHLIF is an excellent template. And if we can advance the public purpose of helping home ownership opportunities for first-time home buyers by a substantial margin then let's do it and prosper instead of starting a new one. I think you would concur that if we could double the book of business, CaHLIF, or triple the book of business, then you nor I would stand in its way.

(Tape 2 was changed to tape 3.)

CHAIRMAN WALLACE: But you can't say, Ron, we can't do it within the present framework. I don't think you can.

MR. KINGSTON: Well, as you may recall --

CHAIRMAN WALLACE: You can speculate.

MR. KINGSTON: In about three weeks you and Ms. Parker, Mr. LaVergne and others will be meeting with our leadership to discuss this bill. And I think it's kind of appropriate that we will be talking about specific aspects of the bill and kind of where we want to go. Then we'll do another presentation before the Board. Because undoubtedly we think that the bill will be amended at least one more time.

CHAIR" WALLACE: I think you're --

MR. KINGSTON: Knowing the legislative process I assure you that is going to happen.

CHAIRMAN WALLACE: Ed.

MR. CZUKER: Real quickly. Your opening comments basically said that you want to attract additional capital to grow CaHLIF but no additional capital is on the table today. So what benefit is there today? Until you have identified and actually secured funding that will increase the resources of CaHLIF then there is absolutely no benefit of separating it until such time as you have identified and secured those additional financial resources.

MR. KINGSTON: They have clearly expressed to us that there is no interest to even talk about this type of discussion to provide additional capital if CaHLIF is still affiliated with a lender. They don't, quite frankly, like the notion of, a few words, conflict of interest. They feel very, very, very uncomfortable with that. So what they are looking for is the template. The closer we get to it then they find that there is something that they can put their arms around and that is what they could rely on. Now they are willing to commit. But they are not willing to commit the potential for millions of dollars without --

MR. CZUKER: Who are you saying when you say they? Who are you referring to?

MR. KINGSTON: They are large entities that are willing to do this. They have asked to remain confidential and I have got to respect their request.

MR. CZUKER: What type of entities?

CHAIRMAN WALLACE: That would infuse capital into the system but they wouldn't if CHFA is in bed with CaHLIF.

MR. KINGSTON: Yes.

CHAIRMAN WALLACE: But they would if it was a separate agency.

MR. CZUKER: What type of agencies or entities?

MR. KINGSTON: They are not governmental agencies, they are pension systems and things of this nature.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Ron, first of all I think we all have a common purpose, which is to expand CaHLIF's capacity. In terms of segregating the assets for credit rating purposes, the technology, financially, is out there to get a higher rating than the parent entity. There's hundreds of billions of dollars in synthetic triple-A GICs from most of the major investment banking houses in New York. They are totally segregated, they are synthetic GICs. They have different credit ratings than their parents, they have different downgrade provisions, they are separate operating entities on guaranteed investment contracts. The financial markets are very accustomed to this. Why can't we use that model?

MR. KINGSTON: In direct response to that: For three years running the S&P analysis of CaHLIF has said that CaHLIF is running at better than a triple-A credit rating yet it is hindered -- there is a specific quote. It is hindered by its parent company. Two, this is the only MI, as we mentioned to you before, that is owned or controlled by a lender and this is the only state-run, government-run, if you will, MI in the United States. There is no other similar entity like this in the United States.

MR. KLEIN: Well, I think that what you're telling us is that we should go to the rating agencies, identify how it is being hindered, remove that hindrance. Because certainly in the 1976 legislation I handled the negotiations of the provisions to allow private companies to co-insure and risk-share. So those capacities are in the legislation unless they were amended out. So with the capacity to risk-share it's an excellent idea, why don't we look at it. We have a great operating facility.

In the legislation I do see a benefit in that you are providing more exempt positions and you are raising salary caps. In fact, maybe you don't have some caps. I think those are great provisions. Maybe we need an amendment to provide more exempt positions and some higher salary caps as we expand CaHLIF and its levels of responsibility. Take the idea of bringing in the private capital. Achieve your objectives and try to work with the rating agencies to eliminate this.

We have a phenomenal financial staff here. They are extremely creative. They are effective with the rating agencies. We have been upgraded recently and have a positive outlook with our upgrade. Our staff can certainly, and probably should address this issue and see what we can do to meet your objectives.

MR. KINGSTON: Your upgrading of your credit rating just must have occurred because for 1997, 1998, 1999, 2000 and 2001, as of February 2001, it was still an A-minus. So it's my understanding it has not changed.

MS. PARKER: It's an A-plus.

MR. KINGSTON: A-plus, I'm sorry. A-plus.

MR. KLEIN: Moody's last year gave us an upgrade; is that right?

MS. PARKER: That's on --

MR. KLEIN: Ken said that's correct.

MS. PARKER: Yes, that's --

MR. KINGSTON: So to my understanding at least S&P. I have not looked at the Moody's.

MR. LaVERGNE: I might jump in here for just a moment to clarify a couple of things'. First of all, the rating agency reports on CaHLIF do not indicate that they qualify for a triple-A credit rating. What they say is that their loss ratios are at a triple-A equivalent. As those of you that have dealt with the rating agencies know, there is a long list of other criteria that fall within the evaluation of an entity and their rating. That is only one of them.

In terms of capital, I'm a little befuddled by that in that, to our knowledge, CaHLIF is not lacking capital.

There is no capital shortfall in terms of the current plan that CaHLIF has or the almost doubling plan that is before this Board. There is plenty of capital. Why additional capital would be needed I'm not clear at this point. That has not been discussed with us.

CHAIRMAN WALLACE: Not that it would be turned away but actually we are growing precipitously in the last few years, as I recall, looking at all the data. So I don't know what the problem is.

MR. KINGSTON: Mr. Wallace, I think it might be fair to say that first of all it is important that we have that meeting with you, and maybe Mr. Klein would be part of that meeting and Ms. Parker and others. When this meeting with our leadership, the California Association of Realtors meets with you all in about two to three weeks we will have a fairly thorough discussion once again re-emphasizing our intent and our direction; and two, possibly be talking about some additional amendments that undoubtedly, as I previously mentioned, will be forthcoming. I think after that it would be properly brought before the Board for consideration. Because you want to have a bill that has its best definition and its best direction before you make any decision.

CHAIRMAN WALLACE: Well, we are not going to make a decision, as I have already announced, today. Probably, Ron, that meeting is going to take place mid to late June. It should be before our next Board Meeting which is the 26th and it will be in Sacramento. So when you go back -- I know Joel is back east.

MR. KINGSTON: Right.

CHAIRMAN WALLACE: As you and I discussed, and I didn't get a chance to talk to him about this but I know a meeting is in the offing.

Our current position is to recommend opposition. I think it would be helpful to have that meeting. We probably should have done it a long time ago but it will be helpful to have that meeting. I think it needs to be before the 26th because we may choose to agendize for Board Action at that time. Let me ask you in that regard, do you have thoughts of moving the bill out of its current suspense situation before we meet?

MR. KINGSTON: We may not have any opportunity but to move it out of suspense, or at least attempt to move it out of suspense on the theory that the Legislature does have a calendar. You have got to meet those requirements unless you get special rule waivers, which is not our intent to do right now.

CHAIRMAN WALLACE: My question really relates to, if we are going to have a good faith exchange precedent to our next Board Meeting, which I suggested and you concurred in, I think part of the good faith is that since we are directly affected and we don't like what we see so far, that you would hold off moving the bill before our meeting.

MS. PARKER: Mr. Chairman.

MR. KINGSTON: Mr. Wallace, I just don't want to put the bill at peril and make it **a** two-year bill as a consequence of that pending meeting. We will do everything we can to have that meeting occur as soon as reasonably practical. But we understand due to vacation schedules and business conflicts that that meeting may not be able to occur much before June 11, June 12.

CHAIRMAN WALLACE: The 15th or 20th is more likely, Ron. At any rate, I'm still saying, in good faith we would appreciate your not trying to move the bill.

MR. KINGSTON: Okay.

CHAIRMAN WALLACE: I understand --

MR. KINGSTON: I will convey the message to my leadership and they will --

CHAIRMAN WALLACE: Make a decision.

MR. KINGSTON: --take that into consideration.

CHAIRMAN WALLACE: Because lobbyists don't make those decisions. In any case, we appreciate your coming and sharing your views.

MS. PARKER: Can I ask a question?

CHAIRMAN WALLACE: Yes.

MS. PARKER: Ron, you cited that CAR has the benefit of some data on unserved markets.

MR. KINGSTON: Um-hmm.

MS. PARKER: We would be very interested in that. Certainly when we went about developing John's Business Plan we talked about ways to expand CaHLIF and its book of business. And if we were aware of unserved markets we certainly would have liked to have had that for consideration of possible other areas for John to do business.

MR. KINGSTON: I think not only would it apply to CaHLIF's book of business but to CHFA's book of business as well. Where you are not serving the market, where CaHLIF perhaps is not, where you can substantially start participating. We understand that CHFA is substantially constrained in certain high-cost areas because of your income and your cost limitations but there are a number of areas that we have found that you could be very active in, which you are not today.

CHAIRMAN WALLACE: We're always open-minded.

MS. PARKER: We would be very interested in seeing that.

MR. KINGSTON: Be more than happy to provide that.

CHAIRMAN WALLACE: As you can tell from our Business Plan, and the commentary surrounding it, we are trying to be creative and innovative and touch and get out there everywhere we can, both in CaHLIF and in multifamily/

single family. So any help you can give us we're certainly anxious to hear.

MR. KINGSTON: Thank you.

CHAIRMAN WALLACE: Okay, thanks for being with us. *Any* other questions on this subject?

**PUBLIC TESTIMONY**

Then I'm going to move on to Item 8. Are there any members of the public that wish to advance items that were not otherwise agendized?

Hearing and seeing none, this meeting is adjourned. Our next meeting is June 26, this year, at the Host Airport Hotel, probably the Camellia Room, in Sacramento. Thanks all for your help and participation.

(Thereupon the meeting was adjourned at 12:52 p.m.)

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CERTIFICATION AND

DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed three (3) tapes in number and this covers a total of pages 1 through **135**, and which recording was duly recorded at Burbank, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 17th day of May, **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 1st day of June, **2001**, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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# CALIFORNIA HOUSING FINANCE AGENCY

## Final Commitment
## Roberts Avenue Senior Apartments
## CHFA Ln. # 01-028-N

**SUMMARY:**

This is a Final Commitment request for a loan funding under the California Housing Finance Agency ("CHFA" or "Agency") Loan to Lender Program, in the amount of $9,900,000 for two years at 5.0%. The 5.0% Loan to Lender interest rate is subject to change prior to issuance of bonds. This rate may change to 3% interest if taxable funds are used. After two years the loan will be paid down and CHFA will finance a permanent loan in the amount of $5,600,000 for thirty years at 5.7%. The project is Roberts Avenue Senior Apartments, a proposed 100-unit senior complex located at 1440 Roberts Avenue, San Jose, Santa Clara County.

**LOAN TERMS:**

| | |
|---|---|
| Loan to Lender: | $9,900,000 |
| Interest Rate | 5.0% simple interest only |
| Term | 2 years |
| Financing | Tax-exempt |
| First Mortgage: | $5,600,000 |
| Interest Rate | 5.7% |
| Term | 30 years fixed, fully amortized |
| Financing | Tax-exempt |

**LOCALITY INVOLVEMENT:**

The City of San Jose has approved a fund reservation for a loan of $6,100,000 and a grant of $1,500,000 to BRIDGE Housing Corporation for the subject project. The City Council is expecting to provide final approval by the end of June 2001.

## MARKET:

### A. Market Overview

The market area surrounding Roberts Avenue Senior Housing is a mixture of single-family homes, commercial, and civic uses. Story Road, which runs two blocks to the northwest of the site, is a major thoroughfare with restaurants, stores, and other commercial uses. Kelly Park is across the street from the site to the southeast. On the three other sides, the property is surrounded by low-density single-family homes. There are very few multi-family properties in the area, and all of the market-rate developments are a mixture of family, senior and single person households. There are no senior-only market-rate projects within a one-mile radius of the site.

### B. Market Demand

The need for affordable senior housing in San Jose is demonstrated by several factors. The City of San Jose, located in the heart of Silicon Valley, is one of the most expensive places to live in the country. Rapidly rising rental prices have significantly impacted senior citizens' ability to find safe and affordable places to live. There are several trends in the rental housing market that demonstrate this:

- Escalating Rents: In Santa Clara County rents have increased by over 40 percent in the past three years.
- Tight Rental Market: The apartment vacancy rate in Silicon Valley is less than **2** percent.
- Large Waiting Lists: According to Santa Clara Housing Authority. there are **27,000** families on the Section 8 waiting list and if the current supply of housing remains the same it will take 8 years to place everyone in an affordable housing unit.
- Large Demand for Senior Housing: The demand for senior housing is especially large in Santa Clara County. Santa Clara County has the highest number of persons 60 years or older in the entire Bay Area.

### C. Market 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.

**Market versus Restricted Rents**

| Unit Type | Subject: | Market Rent | Dif. Btwn. Mkt. | % Of Market |
|---|---|---|---|---|
| One Bedroom | | $1,300 | | |
| 30% | $455 | | $845 | 35% |
| 45% | $700. | | $600 | 54% |
| 50% | $782 | | $518 | 60% |
| Two Bedroom | | $1,345 | | |
| 50% | $830 | | $515 | 62% |

**PROJECT DESCRIPTION:**

The City of San Jose, which currently owns the parcel on which the Roberts Avenue project will be developed. has designated this 2.13 flat acre site for affordable housing for seniors because of its location and accessibility. A large and active senior center, the Iola Williams Senior Program, serving over 100 local seniors, is located near the development. Large shopping areas and smaller retail establishments are within walking distance from the site. Roberts Avenue Senior Housing is directly across from Kelley Park, a very large open space, with a historic village, a Japanese Tea Garden and a community center.

The senior development will consist of one and two bedroom units in an elevator building. The development will provide 75 open parking spaces as well as on-site laundry facilities, a large entry area and a smaller multi-purpose area. The senior building will have its own large community room, which will directly access the private exterior courtyard. The community room will provide space for the seniors to hold social meetings, informational workshops and informal gatherings. The room can also be used for the provision of social and medical services.

The senior project that BRIDGE is developing will be part of a larger development, which will also contain 100 units of teacher housing (constructed by another developer) and a new teacher resource center. The teacher site is located directly behind the Roberts Avenue Senior site.

**OCCUPANCY RESTRICTIONS:**

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

TCAC: 100% of the units (100) will be restricted to 50% or less of median income.

| | |
|---|---|
| City of San Jose | 15% of the units (15) will be restricted to 30% of AMI. |

**ENVIRONMENTAL:**

A Phase I-Environmental Assessment Report prepared by Treadwell & Rollo dated December **4,** 2000 and Phase II Environmental Assessment Report dated February **14,** 2001 indicated no adverse conditions.

An acoustical noise report prepared by Edward L. Pack Associates, Inc. dated October **24,** 2000 indicated mitigation measures would not be required.

**ARTICLE 34:**

In a letter dated May **24, 2001** from the City of San Jose to BRIDGE, the Director of Housing indicated that in November 1994, San Jose voters approved Measure D which was a referendum to provide for the development of affordable housing available to low- and very low-income persons and households in San Jose. The city's letter confirms that the City of San Jose can accommodate the 100 units proposed for the Roberts Avenue Senior Housing project.

**DEVELOPMENT TEAM:**

**A. Borrower's profile**

The owner is a to be formed ownership entity consisting of BRIDGE Housing Corporation which will assign its interest in the partnership to a wholly owned 501(c)(3) subsidiary. The subsidiary will remain in the partnership as the 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**

L & D Construction Company was incorporated in **1979.** The company has extensive construction experience in residential and commercial building. At present, L&D has over 700 units of housing under construction.

### C. Architect

James Guthrie & Associates is the architectural firm proposed at the subject property. James Guthrie has been in business since 1977 on a variety of assignments throughout the western United States.

### D. Management Agent

The BRIDGE Property Management 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 and state.

# Project Summary

**LOAN TO LENDER**

Date: 7-Jun-01

| | | | | |
|---|---|---|---|---|
| Project | Roberts Avenue Sr Hsg | | | |
| Location | 1440 Roberts Avenue | | | |
| | San Jose | 95122 | *Cap Rate* | 7.50% |
| County | Santa Clara | | Market | $11,500,000 |
| Borrower | BRIDGE | | Income | $11,510,000 |
| GP | | | *Final Value* | $11,500,000 |
| GP | | | | |
| LP | | | *LTC/LTV:* | |
| Program | Tax Exempt | | *Loan/Cost* | 30.8% |
| CHFA # | 01-028-N | | *Loan/Value* | 48 7% |

## Project Description:

| | |
|---|---|
| Units | **100** |
| Handicap Units | |
| Bldge Type | New Const. |
| *Buildings* | 1 |
| Stones | 3 |
| Gross Sq *Ft* | 85.962 |
| Land Sq Ft | 92.783 |
| *Units/Acre* | 47 |
| Total *Parking* | 75 |
| Covered Parking | None |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $5,600,000 | $56.000 | 5 70% | 30 |
| CHFA HAT | $0 | $0 | 0 00% | |
| City Grant | $1,500,000 | $15,000 | 0 00% | |
| City Loan | $6 100,000 | $61,000 | 3 50% | 55 |
| City Loan Deferred Interest | $172.884 | $1,729 | 0 00% | |
| AHP | $300.000 | $3,000 | 0.00% | |
| other loan | $0 | $0 | 0 00% | |
| Contributions From Operations | $0 | $0 | | |
| Borrower Contribution | $0 | $0 | | |
| Deferred Developer Equity | $250,000 | $2,500 | | |
| Tax Credit Equity | $4.268 152 | $42.682 | | |
| CHFA Loan to Lender | $9,900,000 | $99.000 | 5 00% | 2 |
| CHFA HAT | $0 | $0 | 0 00% | |

| Type | Manager number | Manager rent | 30% AMI number | 30% AMI rent | 45% AMI number | 45% AMI rent | 50% AMI number | 50% AMI rent | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1 bedroom | | | 15 | 455 | 55 | 700 | 20 | 782 | 90 |
| 2 bedroom | | | 0 | 0 | 10 | 830 | 0 | 0 | 10 |
| 3 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | 100 |

## Fees, Escrows, and Reserves:

| Fees | *Basis* of Requirements | Amount | Security |
|---|---|---|---|
| Loan to Lender Fee | 1 00% of Loan Amount | $99,000 | Cash |
| Permanent Loan Fee | 1 00% of Loan Amount | $56,000 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of Loan Amount | $99.000 | Letter of Credit |
| Inspection lee | $1,500 x months of construction | $18,000 | Cash |
| Construction Defect | 2.50% of Hard Costs | $245.074 | Letter of Credit |
| **Reserves** | | | |
| Utility Stabilization Reserve | 150.00% of Utility | $138.000 | Letter of Credit |
| Operating Expense Reserve | 10 00% of Gross income | $83 834 | Letter of Credit |
| Annual Replacement Reserve Deposit | 350 per Unit | $35.000 | Operations |
| Construction inspection Fee | 1500 x months of construction | $18.000 | Cash |
| Construction Defect Escrow | 0 of Hard Costs | $245.074 | Letter of Credit |

# Sources and Uses

## Roberts Avenue Sr. Hsg.

### SOURCES:

| *Name of Lender / Source* | Amount | $per unit |
|---|---|---|
| CHFA First Mortgage | 5,600,000 | 56,000 |
| CHFA Bridge | 0 | 0 |
| CHFA HAT | 0 | 0 |
| City Grant | 1,500,000 | 15,000 |
| City Loan | 6,100,000 | 61,000 |
| Other Loans | 472,884 | 4,729 |
| **Total Institutional Financing** | 13,672,804 | 136,729 |
| | | |
| ***Equity Financing*** | | |
| Tax Credits | 4,268,152 | 42,682 |
| Deferred Developer Equity | 250,000 | 2,500 |
| **Total Equity Financing** | 4,518,152 | 45,182 |
| | | |
| **TOTAL SOURCES** | 18,191,036 | 181,910 |

### USES:

| | | |
|---|---|---|
| Acquisition | 2,451,430 | 24,514 |
| Rehabilitation | 0 | 0 |
| New Construction | 10,993,542 | 109,935 |
| Architectual Fees | 400,000 | 4,000 |
| Survey and Engineering | 263,371 | 2,634 |
| Const. Loan Interest & Fees | 1,118,523 | 11,185 |
| Permanent Financing | 155,000 | 1,550 |
| Legal Fees | 100,000 | 1,000 |
| Reserves | 221,834 | 2,218 |
| Contract Costs | 17,000 | 170 |
| Construction Contingency | 715,282 | 7,153 |
| Local Fees | 465,054 | 4,651 |
| TCAC/Other Costs | 90,000 | 900 |
| **PROJECT COSTS** | 16,991,036 | 169,910 |
| | | |
| Developer Overhead/Profit | 1,200,000 | 12,000 |
| Consultant/Processing Agent | 0 | 0 |
| | | |
| **TOTAL USES** | 18,191,036 | 181,910 |

# Annual Operating Budget — Roberts Avenue Sr. Hsg.

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 831,143 | 8,311 |
| Laundry | 7,200 | 72 |
| Other Income | 0 | |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **838,343** | **8,383** |
| **Less:** | | |
| Vacancy **Loss** | 41,917 | 419 |
| **Total Net Revenue** | **796,425** | **7,964** |
| **EXPENSES:** | | |
| Payroll | 62,343 | 623 |
| Administrative | 87,308 | 873 |
| Utilities | 91,944 | 919 |
| Operating and Maintenance | 73,329 | 733 |
| Insurance and Business Taxes | 21,283 | 213 |
| Taxes and Assessments | *0* | |
| Reserve for Replacement Deposits | 35,000 | 350 |
| **Subtotal Operating Expenses** | **371,207** | **3,712** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 390,029 | 3,900 |
| **Total Financial** | **390,029** | **3,900** |
| **Total Project Expenses** | **761,236** | **7,612** |

# Cash Flow

**Roberts Avenue Sr. Hsg.** CHFA # **01-028-N**

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
|---|---|---|---|---|---|---|---|---|
| ***Market Rent Increase*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Market Rents | 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% |
| Affordable Rents | 831,143 | 851,921 | 873,219 | 895,050 | 917,426 | 940,361 | 963,870 | 987,967 |
| TOTAL RENTAL INCOME | **831,143** | **851,921** | **873,219** | **895,050** | **917,426** | **940,361** | **963,870** | **987,967** |
| | | | | | | | | |
| OTHER INCOME | | | | | | | | |
| ***Other Income Increase*** | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Laundry | 7,200 | 7,380 | 7,565 | 7,754 | 7,947 | 8,146 | 8,350 | 8,559 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OTHER INCOME | **7,200** | **7,380** | **7,565** | **7,754** | **7,947** | **8,146** | **8,350** | **8,559** |
| | | | | | | | | |
| GROSS INCOME | **838,343** | **859,301** | **880,784** | **902,803** | **925,373** | **948,508** | **972,220** | **996,526** |
| ***Vacancy*** Rate : ***Market*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Vacancy Rate : Affordable*** | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 41,917 | 42,965 | 44,039 | 45,140 | 46,269 | 47,425 | 48,611 | 49,826 |
| EFFECTIVE GROSS INCOME . | **796,425** | **816,336** | **836,744** | **857,663** | **879,105** | **901,082** | **923,609** | **946,699** |
| | | | | | | | | |
| OPERATING EXPENSES | | | | | | | | |
| ***Annual Expense Increase*** | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Expenses | 336,207 | 349,655 | 363,641 | 378,187 | 393,314 | 409,047 | 425,409 | 442,425 |
| Replacement Reserve | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| ***Annual Tax Increase*** | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL EXPENSES | **371,207** | **384,655** | **398,641** | **413,187** | **428,314** | **444,047** | **460,409** | **477,425** |
| | | | | | | | | |
| NET OPERATING INCOME | **425,219** | **431,681** | **438,103** | **444,476** | **450,790** | **457,036** | **463,201** | **469,275** |
| | | | | | | | | |
| DEBT SERVICE | | | | | | | | |
| CHFA - 1st Mortgage | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 |
| CHFA - Bridge Loan | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW** after debt service | **35,190** | **41,652** | **48,074** | **54,447** | **60,761** | **67,006** | **73,172** | **79,245** |
| DEBT COVERAGE RATIO | **1.09** | **1.11** | **1.12** | **1.14** | **1.16** | **1.17** | **1.19** | **1.20** |

# Cash Flow

Roberts A

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| RENTAL INCOME | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 |
|---|---|---|---|---|---|---|---|---|
| ***Market Rent Increase*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Market Rents | 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% |
| Affordable Rents | 1,012,666 | 1,037,983 | 1,063,933 | 1,090,531 | 1,117,794 | 1,145,739 | 1,174,383 | 1,203,742 |
| TOTAL RENTAL INCOME | 1,012,666 | 1,037,983 | 1,063,933 | 1,090,531 | 1,117,794 | 1,145,739 | 1,174,383 | 1,203,742 |
| | | | | | | | | |
| OTHER INCOME | | | | | | | | |
| ***Other Income Increase*** | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Laundry | 8,773 | 8,992 | 9,217 | 9,447 | 9,683 | 9,925 | 10,173 | 10,428 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OTHER INCOME | 8,773 | 8,992 | 9,217 | 9,447 | 9,683 | 9,925 | 10,173 | 10,428 |
| | | | | | | | | |
| GROSS INCOME | 1,021,439 | 1,046,975 | 1,073,149 | 1,099,978 | 1,127,477 | 1,155,664 | 1,184,556 | 1,214,170 |
| ***Vacancy Rate : Market*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Vacancy Rate : Affordable*** | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 51,072 | 52,349 | 53,657 | 54,999 | 56,374 | 57,783 | 59,228 | 60,708 |
| EFFECTIVE GROSS INCOME | 970,367 | 994,626 | 1,019,492 | 1,044,979 | 1,071,104 | 1,097,881 | 1,125,328 | 1,153,461 |
| | | | | | | | | |
| OPERATING EXPENSES | | | | | | | | |
| ***Annual Expense Increase*** | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Expenses | 460,122 | 478,527 | 497,668 | 517,575 | 538,270 | 559,809 | 582,201 | 605,489 |
| Replacement Reserve | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| ***Annual Tax Increase*** | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL EXPENSES | 495,122 | 513,527 | 532,668 | 552,575 | 573,278 | 594,809 | 617,201 | 640,489 |
| | | | | | | | | |
| NET OPERATING INCOME | 475,245 | 481,099 | 486,824 | 492,405 | 497,826 | 503,073 | 508,127 | 512,972 |
| | | | | | | | | |
| DEBT SERVICE | | | | | | | | |
| CHFA - 1st Mortgage | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 |
| CHFA - Bridge Loan | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | 85,216 | 91,070 | 96,795 | 102,375 | 107,797 | 113,043 | 118,098 | 122,943 |
| DEBT COVERAGE RATIO | 1.22 | 1.23 | 1.25 | 1.26 | 1.28 | 1.29 | 1.30 | 1.32 |

## Cash Flow

**Roberts A**

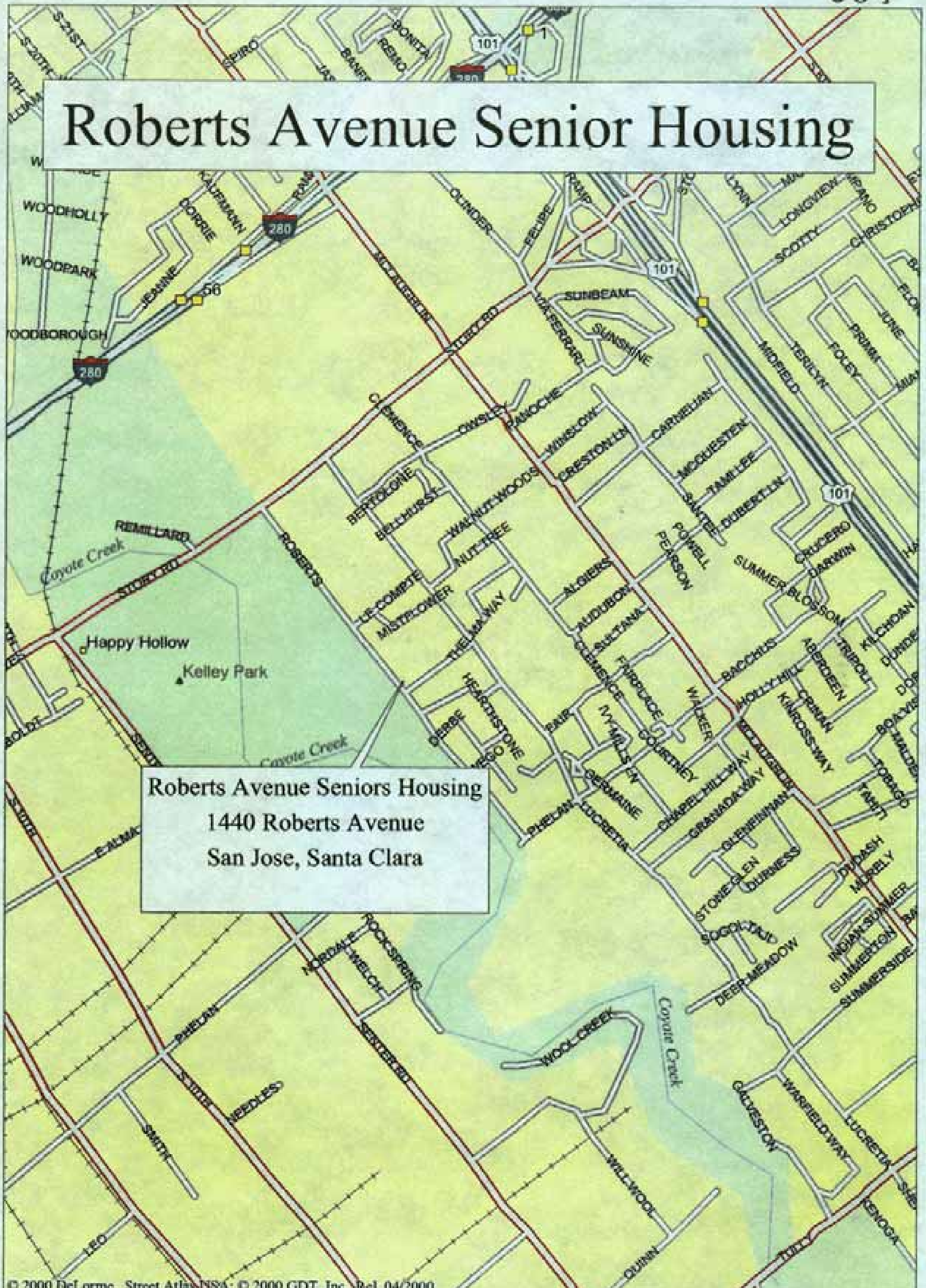
| RENTAL INCOME | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 | Year 22 | Year 23 | Year 24 |
|---|---|---|---|---|---|---|---|---|
| ***Market Rent Increase*** | ***0*** | ***0*** | ***0*** | ***0*** | ***0*** | ***0*** | ***0*** | ***0*** |
| Market Rents | ***0*** | ***0*** | ***0*** | 0 | 0 | ***0*** | ***0*** | ***0*** |
| ***Affordable Rent Increase*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** |
| Affordable Rents | 1,233,836 | 1,264,682 | ,296,299 | ,328,706 | 1,361,924 | 1,395,972 | 1,430,871 | 1,466,643 |
| **TOTAL RENTAL INCOME** | **1,233,836** | **1,264,682** | **,296,299** | **,328,706** | **1,361,924** | **1,395,972** | **1,430,871** | **1,466,643** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| ***Other Income Increase*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** | ***2.50%*** |
| Laundry | 10,688 | 10,956 | 11,230 | 11,510 | 11,798 | 12,093 | 12,395 | 12,705 |
| Other Income | 0 | 0 | 0 | **0** | **0** | **0** | **0** | **0** |
| **TOTAL OTHER INCOME** | **10,688** | **10,956** | **11,230** | **11,510** | **11,798** | **12,093** | **12,395** | **12,705** |
| | | | | | | | | |
| **GROSS INCOME** | **1,244,524** | **1,275,637** | **1,307,528** | **1,340,216** | **1,373,722** | **1,408,065** | **1,443,266** | **1,479,348** |
| ***Vacancy Rate :Market*** | **0** | **0** | **0** | ***0*** | ***0*** | ***0*** | ***0*** | ***0*** |
| ***Vacancy Rate :Affordable*** | ***5.00%*** | ***5.00%*** | ***5.00%*** | ***5.00%*** | ***5.00%*** | ***5.00%*** | ***5.00%*** | ***5.00%*** |
| Less: Vacancy LOSS | 62,226 | 63,782 | 65,376 | 67,011 | 68,686 | 70,403 | 72,163 | 73,967 |
| **EFFECTIVE GROSS INCOME** | **1,182,298** | **1,211,855** | **1,242,152** | **1,273,206** | **1,305,036** | **1,337,662** | **1,371,103** | **1,405,381** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| ***Annual Expense Increase*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** |
| Expenses | 629,709 | 654,897 | 681,093 | 708,337 | 736,670 | 766,137 | 796,782 | 828,654 |
| Replacement Reserve | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| ***Annual Tax Increase*** | ***2.00%*** | ***2.00%*** | ***2.00%*** | ***2.00%*** | ***2.00%*** | ***2.00%*** | ***2.00%*** | ***2.00%*** |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | **0** | **0** | **0** |
| **TOTAL EXPENSES** | **664,709** | **689,897** | **716,093** | **743,337** | **771,670** | **801,137** | **831,782** | **863,654** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **517,589** | **521,958** | **526,059** | **529,869** | **533,366** | **536,525** | **539,321** | **541,727** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CHFA - 1st Mortgage | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 |
| CHFA - Bridge Loan | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **127,560** | **131,929** | **136,030** | **139,840** | **143,337** | **146,496** | **149,292** | **151,698** |
| **DEBT COVERAGE RATIO** | **1.33** | **1.34** | **1.35** | **1.36** | **1.37** | **1.38** | **1.38** | **1.39** |

# Cash Flow

**Roberts A**

| RENTAL INCOME | Year 25 | Year26 | Year27 | Year 28 | Year 29 | Year 30 |
|---|---|---|---|---|---|---|
| *Market Rent Increase* | *0* | *0* | *0* | *0* | *0* | *0* |
| Market Rents | *0* | *0* | *0* | *0* | *0* | *0* |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,503,309 | 1,540,892 | 1,579,414 | 1,618,899 | 1,659,372 | 1,700,856 |
| **TOTAL RENTAL INCOME** | **1,503,309** | **1,540,892** | **1,579,414** | **1,618,899** | **1,659,372** | **1,700,856** |
| **OTHER INCOME** | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 13,023 | 13,340 | 13,682 | 14,024 | 14,375 | 14,734 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **13,023** | **13,348** | **13,682** | **14,024** | **14,375** | **14,734** |
| **GROSS INCOME** | **1,516,332** | **1,554,240** | **1,593,096** | **1,632,924** | **1,673,747** | **1,715,590** |
| *Vacancy Rate :Market* | 0 | 0 | 0 | *0* | *0* | *0* |
| *Vacancy Rate :Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 75,817 | 77,712 | 79,655 | 81,646 | 83,687 | 85,780 |
| **EFFECTIVE GROSS INCOME** | **1,440,515** | **1,476,528** | **1,513,441** | **1,551,277** | **1,590,059** | **1,629,811** |
| **OPERATING EXPENSES** | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 861,800 | 896,272 | 932,123 | 969,407 | 1,008,184 | 1,048,511 |
| Replacement Reserve | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **896,800** | **931,272** | **967,123** | **1,004,407** | **1,043,184** | **1,083,511** |
| **NET OPERATING INCOME** | **543,716** | **545,256** | **546,319** | **546,870** | **546,876** | **546,300** |
| **DEBT SERVICE** | | | | | | |
| CHFA - 1st Mortgage | 390.029 | 390,029 | 390,029 | 390,029 | 390,029 | 390,029 |
| CHFA - Bridge Loan | | | | | | |
| CHFA - HAT Loan | | | | | | |
| **CASH FLOW after debt service** | **153,686** | **155,227** | **156,290** | **156,841** | **156,846** | **156,271** |
| **DEBT COVERAGE RATIO** | **1.39** | **1.40** | **1.40** | **1.40** | **1.40** | **1.40** |

# Roberts Avenue Senior Housing


Roberts Avenue Senior Housing
Roberts Avenue Seniors Housing
1440 Roberts Avenue
San Jose, Santa Clara
Happy Hollow
Kelley Park
Coyote Creek
ROBERTS
STORY RD
MCLAUGHLIN
SENTER RD
280
101
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RESOLUTION 01-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from BRIDGE Housing Corporation, (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 100-unit multifamily housing development located in the City of San Jose to be known as Roberts Avenue Senior Housing (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 7, 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 May 24, 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 |
|---|---|---|---|
| 01-028-N | Roberts Avenue Senior Housing San Jose/Santa Clara | 100 | |
| | | First Mortgage: | $5,600,000 |
| | | Loan-to-Lender: | $9,900,000 |

**2.** 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 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 Multifamily 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 **01-20** adopted at a duly constituted meeting of the Board of the Agency held on June **26, 2001,** at Sacramento, California.

ATTEST:______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

## Final Commitment
## Murphy Ranch Apartments
## CHFA Ln. # 01-026-N

**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 $8,475,000 in taxable money for two years at 3.0%. After **two** years the loan will be repaid and CHFA will finance two tax-exempt loans: a permanent loan in the amount of $4,355,000 for thirty years at 5.70% and a bridge loan in the amount of $4,120,000 for three years at 5.70%. The project is Murphy Ranch Apartments, a proposed 62-unit family project that is part of a two-phased construction plan; this phase of 62 units and **a** later, adjoining phase of 38 units. The project is located at Dunne Avenue and Butterfield Boulevard, Morgan Hill, in Santa Clara County.

**LOAN TERMS:**

| | |
|---|---|
| **Loan to Lender:** | $8,475,000 |
| Interest Rate: | 3.00%, simple interest only |
| Term: | Two Years |
| Financing: | Taxable |
| | |
| **First Mortgage:** | $4,355,000 |
| Interest Rate: | 5.70% |
| Term: | Thirty-Year Fixed, Fully Amortized |
| Financing: | Tax-Exempt |

**Bridge Loan:** $4,120,000

Interest Rate: 5.70%

Term: Three-Year Fixed, Fully Amortized

Financing: Tax-Exempt

**LOCALITY INVOLVEMENT:**

The Morgan Hill Redevelopment Agency is loaning $2,515,213 at 4.0% interest for fifty-five years for this phase of the project. The Santa Clara County Trust is providing a $ 100,000 grant for ***55*** years.

In addition, other sources of funding are being provided. The Federal Home Loan Bank Board is providing an AHP loan of $279,000. Housing and Community Development is providing an MHP loan in the amount of $3,283,550 for fifty-five years. The sponsor is also applying to CHFA for the School Fee Reimbursement Program for $261.925. In the event they do not qualify, they are examining other funding sources.

**MARKET:**

**A. Market Overview**

Santa Clara County, is located south of the San Francisco Bay and is one of the nine Bay Area Counties. Coastal mountain ranges flank the Santa Clara Valley on the east and west and development has generally occurred in a north to south direction. The Santa Clara Valley extends approximately 30 miles southward of San Jose and includes the cities of Morgan Hill and Gilroy and the unincorporated community of San Martin. The population of Santa Clara County is approximately 1,736,700 as of January 1, 2000. This represents a 1.6% increase over the population base of 1999.

As of 1995 the Association of the Bay Area Government ("ABAG") reported the population **of** the City of Morgan Hill at 33,300. The population increased to 39,800 in 2000 for a 19.5% increase, well above the average for the county of **6.7%.** The population is projected to be 43,400 by ***2005.***

Manufacturing plays a dominant role in the regional economy, accounting for approximately one third of the total county employment. The electronics industry accounts for a major portion of manufacturing jobs.

In 1977 Morgan Hill voters approved an initiative to limit the rate of residential development within the city. Measure P set up the city's Residential Development

Control System ("RDCS"). In November of 1990 the voters approved another initiative that extended the provision of the RDCS for another 10 years and further tightened the provisions of the RDCS.

In October 1996, the City of Morgan Hill, in conjunction with the County of Santa Clara. adopted amendments to their General Plans to establish a long term Urban Growth Boundary ("UGB"). The UGB would further implement existing city and county policies to ensure compact urban growth and infill development and to discourage urban sprawl. Together with the City's "Measure P" residential development control system, the UGB creates a limit to further outward extension of urban infrastructure, such as water, sewer and drainage lines over the next **20** to **30** years. A primary objective of the UGB is to provide greater certainty that the city is able to deliver urban services in a cost-effective manner, without the need for further rate increases.

## B. Market Demand

The San Jose Planning Commission approved construction of the 20,000 employee Cisco Campus proposed for the Coyote Valley. It was recently reported that Cisco has put development of this campus on hold. This would have and still could renew pressure on Morgan Hill for more construction.

According to **ABAG,** the average household income for Morgan Hill residents is $90,700, slightly higher than the average income for all of Santa Clara County of $86.300. The average cost of a single-family residence in Morgan Hill in **2001** is **$587,542.**

During the first three-quarters of **2000,** apartment rents increased significantly in Santa Clara County to SI,550 for a one-bedroom apartment; a 19% increase since the end of the first quarter of 2000. Vacancy rates in Morgan Hill on December 2000 were 1.40%, slightly less than the countywide vacancy rate of 1.**50%**.

In April 2001, the San Jose Mercury News reported a softening economy and high-tech lay-offs, and reported that landlords were lowering asking rents by **2%** in Santa Clara County. **A** survey of the Morgan Hill apartment market did not indicate a reduction in rental rates, however, a slight increase in vacancy rates was indicated.

## C. Housing Supply

The majority of the rental stock in Morgan Hill was developed in the 1960s and 1970s. Amenities typically include a swimming pool, clubhouse/manager's office carport parking and green belt areas. Many of the older projects have been upgraded, but the majority still have older floor plans and the same amenity levels. There are four market rate apartment projects within a two-mile radius of the project, three that were built in the 1980s and one constructed in 1999. None of the four apartment complexes include a market rate four-bedroom unit. In fact. there are no market rate four bedroom apartment units in the Morgan Hill and Gilroy markets. so rent for single family residences had to be used and adjusted according. All four apartment projects have a pool and spa as amenities and all three bedroom units have two bathrooms. Three out of the four projects also have exercise rooms. Vacancy rates at the three projects range from a low of 0% to a high of 3.6%. There is one market rate project under construction that is scheduled for completion in July 2001. It will consist of 13, three bedroom/two and one-half bath townhouse units with a garage. No other amenities are included.

Three affordable family apartment complexes were reviewed in the appraisal and all are located within one mile of the project. **All** three affordable projects were constructed no later than 1999, are fully leased and are 100% affordable with no market rate units. Terracina at Morgan Hill (located across the street from the project) was built in two phases and had 800 applications for phase II with 72 units. All three projects were fully leased within two months and Village Avante, one mile from the project has a two year waiting list.

## PROJECT FEASIBILITY:

### A. Rent Differentials (Market vs. Restricted)

| Rent Level | Subject Project | Mkt.Rate Avg. | Difference | Percent |
|---|---|---|---|---|
| **Two Bedroom** | | $1,750 | | |
| 35% | $383 | | $1,367 | 22% |
| 50% | $929 | | $821 | 53% |
| 60% | $1,125 | | $625 | 64% |
| **Three Bedroom** | | $1,925 | | |
| 35% | $443 | | $1,482 | · 23% |
| 50% | $1,074 | | $851 | 56% |
| 60% | $1,301 | | $624 | 68% |
| | | | | |
| **Four Bedroom** | | $2.200 | | |
| 50% | $1,196 | | $1,004 | 54% |
| 60% | $1,449 | | $926 | 66% |

### B. Lease-Up

Based on the limited availability of other rental housing, and the level of pre-leasing that will be accomplished prior to the completion of construction, the estimated absorption period is two months.

**PROJECT DESCRIPTION:**

**A. Site Design:**

Murphy Ranch Apartments is a proposed 62-unit affordable project on 5.12 acres that is zoned R-3/RPD. The zoning allows multi-family medium low-density developments of up to 21 units per acre.

- Unit Mix: 34, two bedroom/one and one-half bath units (1,017 sq. ft.) 22 three-bedroom/two bath units or three-bedroom/two and one-half bath units (approximately 1,250 sq. ft.) and 6 four-bedroodtwo bath units (1,390 sq. ft.).

- Project Layout: 16, two-story buildings, 52 units are townhomes and 10 are three-bedroom units flats.

- Parking: 162 parking spaces, 100 open spaces and 62 carport spaces.

Additional amenities include a 2,736 sq. ft. community center with a leasing office, a community kitchen a laundry area, a study room, a maintenance room and bathrooms. There will also be a pool, a tot lot, and another play area for older children.

The units will have wall heaters, washer/dryer hook-ups and balconies or patios. Energy efficient windows and appliances are to be used and the sponsor is also reviewing various solar heating options for the pool. Additional project requirements from the City of Morgan Hill include the following:

- Escape ladders in all upper floor bedrooms
- Fire extinguishers for every 3,000 sq. ft.
- Illuminated address numbers
- Fire sprinkler system in each unit

**B. Project Location:**

The project is in a rural area, yet it is within the City of Morgan Hill's redevelopment district, also known as the Ojo De Agua Redevelopment Project Area. The project is bordered by apartment complexes to the north and west. There are vacant lots to the east and south of the site. The project is less than ½ mile from medical offices and the hospital is two miles away. Two local parks, a major grocery chain and a major drug store chain are also within a ½ mile of the project. The elementary, middle and high schools as well as the local junior college are within a mile of the project. The post office, historic museum and civic center are also proximate to the project.

The local bus has a stop adjacent to the project on E. Dunne Avenue. The express bus also stops close by for commuters to the Silicon Valley as well as transportation to the Park & Ride. The Caltrain station is also less than a block away.

**OCCUPANCY RESTRICTIONS:**

MHP: 33% of the units **(20)** will be restricted to **35%** or less of SMI.

CHFA: **20%** of the units (13) will be restricted to 50% or less of AMI.

Morgan Hill RDA:
100% of the units (61) will be restricted to 50% or less of AMI.

TCAC: 100% of the units (61) will be restricted to 60% or less of AMI.

**ENVIRONMENTAL:**

The Agency received a Phase I – Environmental Assessment report prepared by Confidential Compliance Consultants and dated August 8. 1998. No adverse conditions were noted. An updated Phase I report has been ordered and will be a condition of issuing the final commitment.

**ARTICLE 34:**

A letter dated March **22,** 2001 by the City of Morgan **Hill** Redevelopment Agency states that the Murphy Ranch project received approval under Article XXXIV 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 Murphy Ranch, L.P., a California limited partnership with First Community Housing as the initial general partner and Murphy Ranch Townhomes Incorporated to be substituted in as the general partner at a later date. The limited partner has not yet been identified. First Community Housing has been developing affordable housing in California for fifteen years. They have completed six tax credit projects with a total of **407** units and another four projects are under construction with a total of **326** units.

### B. Contractor

L & D Construction Co., Inc. ("L & D") was incorporated in 1979 to build multifamily rental units. Their client list includes projects for ten non-profit developers. **L & D** has completed **83** projects with over 7,000 units during the past twenty years and has over 700 units currently under construction.

### C. Architect

Fisher-Friedman Associates was founded in 1964 and they specialize in residential design and planning. They have designed thirty-seven apartment projects in California with a total of **8,626** units.

### D. Management Agent

The John Stewart Company ("John Stewart") was founded in 1978 and is a full service housing management organization with employees throughout the state of California. John Stewart manages **1,567** rental apartment units in **21** tax credit projects. They are known to CHFA and manage several projects in the CHFA portfolio.

# Project Summary

**865** — **Loan to Lender** — Date 7-Jun-01

## Project Profile:

| | | | |
|---|---|---|---|
| *Project* | Murphy Ranch | | |
| *Location* | Dunne Avenue & Butterfield Blvd | | |
| | Morgan Hill 95037 | *Cap Rate:* | 7.75% |
| *County* | Santa Clara | Market: | $13,100,000 |
| Borrower | Murphy Ranch, L P | Income: | **$13,200,000** |
| GP | Murphy Ranch Townhomes Inc | *Final Value* | $13,200,000 |
| GP | TBD | | |
| *LP* | TBD | ***LTC/LTV:*** | |
| Program | Tax Exempt | *Loan/Cost* | 28 5% |
| CHFA # | 01-026-N | *Loan/Value* | 33.0% |

## Project Description:

| | |
|---|---|
| *Units* | 62 |
| *Handicap* Units | 2 |
| *Bldge* Type | New Const |
| *Buildings* | 13 |
| *Stories* | 2 |
| Gross Sq *Ft* | 69,300 |
| Land Sq *Ft* | 312,000 |
| *Units/Acre* | 9 |
| *Total Parking* | 266 |
| Covered Parking | 116 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $4,355,000 | $70.242 | 5 70% | 30 |
| CHFA HAT | $0 | $0 | 0 00% | |
| City of Morgan Hill | $2,515,213 | $40.568 | 4 00% | 55 |
| HCD-MHP | $3,283,550 | $52,960 | 0 00% | 55 |
| AHP | $279.000 | $4.500 | 0 00% | 35 |
| CHFA School Fee Reimb | $261,925 | $4,225 | 0 00'. | 30 |
| Santa Clara County Trust | $100,000 | $1,613 | | |
| Borrower Contribution | $0 | $0 | | |
| Deferred Developer Equity | $0 | $0 | | |
| Tax Credit Equity | $4,491,101 | $72,437 | | |
| CHFA Bridge | $4,120,000 | $66,452 | 5 70% | 3 |
| Loan to Lender Amount | $8,475,000 | $136,694 | 3 00% | 2 |

| Type | Manager | | 30% AMI | | 35% SMI | | 50% AMI | | 60% AMI | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent | number | rent | number | rent | number | rent | number | rent | |
| 1 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 bedroom | 1 | 1126 | 0 | 0 | 11 | 303 | 12 | 929 | 10 | 1125 | 34 |
| 3 bedroom | | | 0 | 0 | 9 | 443 | 5 | 1074 | e | 1301 | 22 |
| 4 bedroom | | | 2 | 492 | 0 | 0 | 2 | 1196 | 2 | 1449 | 6 |
| | | | | | | | | | | | 62 |

## Fees, Escrows, and Reserves:

| Fees | Basis of Requirements | Amount | Security |
|---|---|---|---|
| Loan fees | 1.00% of Loan to Lender Amount | $84.750 | Cash |
| | 100% of First Mortgage | $43.550 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1 00% of Loan Amount | $84.750 | Letter of Credit |
| Inspection fee | $1,500 x months of construction | $19,500 | Letter of Credit |
| Construction Defect | 2.50% of Hard Costs | $189,250 | Letter of Credit |
| **Reserves** | | | |
| Utility Stabilization Reserve | 150 00% of Utility costs | $24.473 | Letter of Credit |
| Operating Expense Reserve | 10 00% of Gross Income | $64,903 | Letter of Credit |
| Annual Replacement Reserve Deposit | $500 x # of units | $31,000 | Operations |

# Sources and Uses

## Murphy Ranch

### SOURCES:

| *Name of Lender / Source* | Amount | $per unit |
|---|---|---|
| CHFA First Mortgage | 4,355,000 | 70,242 |
| CHFA Bridge | 0 | 0 |
| AHP | 279,000 | 4,500 |
| City of Morgan Hill | 2,515,213 | 40,568 |
| HCD-MHP | 3,283,550 | 52,960 |
| Other Loans | 361,925 | 5,838 |
| **Total Institutional Financing** | **10,794,688** | **174,108** |
| | | |
| ***Equity Financing*** | | |
| Tax Credits | 4,491,101 | 72,437 |
| Deferred Developer Equity | 0 | 0 |
| **Total Equity Financing** | **4,491,101** | **72,437** |
| | | |
| **TOTAL SOURCES** | **15,285,789** | **246,545** |

### USES:

| | | |
|---|---|---|
| Acquisition | 1,847,500 | 29,798 |
| Rehabilitation | 0 | 0 |
| New Construction | 8,740,000 | 140,968 |
| Architectural Fees | 443,000 | 7,145 |
| Survey and Engineering | 65,000 | 1,048 |
| Const. Loan Interest & Fees | 701,846 | 11,320 |
| Permanent Financing | 510,848 | 8,239 |
| Legal Fees | 30,000 | 484 |
| Reserves | 89,376 | 1,442 |
| Contract Costs | 15,000 | 242 |
| Construction Contingency | 1,050,000 | 16,935 |
| Local Fees | 1,217,936 | 19,644 |
| TCAC/Other Costs | 65,283 | 1,053 |
| **PROJECT COSTS** | **14,775,789** | **238,319** |
| | | |
| Developer Overhead/Profit | 510,000 | 8,226 |
| Consultant/Processing Agent | 0 | 0 |
| | | |
| **TOTAL USES** | **15,285,789** | **246,545** |

# Annual Operating Budget

Murphy Ranch

| | Amount | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 645,312 | 10,408 |
| Laundry | 3,720 | 60 |
| Other Income | 0 | |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **649,032** | **10,468** |
| **Less:** | | |
| Vacancy Loss | 32,452 | 523 |
| **Total Net Revenue** | **616,580** | **9,945** |
| **EXPENSES:** | | |
| Payroll | 83,078 | 1,340 |
| Administrative | 66,324 | 1,070 |
| Utilities | 33,674 | 543 |
| Operating and Maintenance | 32,800 | 529 |
| Insurance and Business Taxes | 22,856 | 369 |
| Taxes and Assessments | 14,514 | 234 |
| Reserve for Replacement Deposits | 31,000 | 500 |
| **Subtotal Operating Expenses** | **284,246** | **4,585** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 303,317 | 4,892 |
| **Total Financial** | **303,317** | **4,892** |
| **Total Project Expenses** | **587,563** | **9,477** |

## Cash Flow

**Murphy Ranch** CHFA # **01-026-N**

| RENTAL INCOME | Year 1 | Year2 | Year3 | Year4 | Year5 | Year6 | Year7 | Year8 | Year9 | 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 | 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 | 645.312 | 661.445 | 677.981 | 694.930 | 712.304 | 730,111 | 740,364 | 767,073 | 786,250 | 805.906 |
| TOTAL RENTAL INCOME | 645,312 | 661,445 | 677,981 | 694,930 | 712,304 | 730,111 | 748,364 | 767,073 | 786,250 | 805,906 |
| **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 | 3.720 | 3,813 | 3,908 | 4,006 | 4,106 | 4,209 | 4,314 | 4.422 | 4.532 | 4,646 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OTHER INCOME | 3,720 | 3,813 | 3,908 | 4,006 | 4,106 | 4,209 | 4,314 | 4.422 | 4,532 | 4,646 |
| GROSS INCOME | 649,032 | 665,258 | 681,889 | 698,936 | 716,410 | 734,320 | 752,678 | 771,495 | 790,782 | 810,552 |
| *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% | 5.00% |
| Less: Vacancy Loss | 32,452 | 33,263 | 34,094 | 34,947 | 35,820 | 36.716 | 37,634 | 38,575 | 39,539 | 40,528 |
| EFFECTIVE GROSS INCOME | 616,580 | 631,995 | 647,795 | 663,990 | 680,589 | 697,604 | 715,044 | 732,920 | 751,243 | 770,024 |
| **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 | 238,732 | 248,281 | 258,213 | 268,541 | 279,283 | 290,454 | 302.072 | 314,155 | 326,721 | 339,790 |
| Replacement Reserve | 31,000 | 31,000 | 31,000 | 31,000 | 31,000 | 32.550 | 32.550 | 32.550 | 32.550 | 32,550 |
| MHP Fee | 14,014 | 14,014 | 14.014 | 14,014 | 14,014 | 14,014 | 14,014 | 14,014 | 14,014 | 14,014 |
| *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 | 500 | 510 | 520 | 531 | 541 | 552 | 563 | 574 | 586 | 598 |
| TOTAL EXPENSES | 284,246 | 279,791 | 289,733 | 300,072 | 310,824 | 323,556 | 335,185 | 347,279 | 359,857 | 372,938 |
| NET OPERATING INCOME | 332,334 | 352,204 | 358,062 | 363.918 | 369,766 | 374,048 | 379,859 | 385,641 | 391,386 | 397,087 |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 303,317 | 303.317 | 303.317 | 303,317 | 303,317 | 303,317 | 303,317 | 303,317 | 303,317 | 303,317 |
| CHFA - Bridge Loan | 1,497,349 | 1,497,349 | 1,497,349 | 0 | 0 | | | | | |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| CASH FLOW after debt service | 29,017 | 48,886 | 54,745 | 60,601 | 66,448 | 70,731 | 76,542 | 82,324 | 88,069 | 93,770 |
| DEBT COVERAGE RATIO | 1.10 | 1.16 | 1.18 | 1.20 | 1.22 | 1.23 | 1.25 | 1.27 | 1.29 | 1.31 |

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# Cash Flow

| RENTAL INCOME | Year11 | Year 12 | Year 13 | Year14 | Year 15 | Year 16 | Year 17 | Year 18 | Year19 | Year20 |
|---|---|---|---|---|---|---|---|---|---|---|
| *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 | 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 | 826,054 | 846.705 | 867.873 | 889.570 | 911,809 | 934.604 | 957.969 | 981,919 | 1,006,466 | 1,031,628 |
| **TOTAL RENTAL INCOME** | **826,054** | **846,705** | **867,873** | **889,570** | **911,809** | **934,604** | **957,969** | **981,919** | **1,006,466** | **1,031,628** |
| | | | | | | | | | | |
| **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 | 4.762 | 4,881 | 5,003 | 5,128 | 5,256 | 5.388 | 5.522 | 5,660 | 5,802 | 5.947 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **4.762** | **4,881** | **5,003** | **5,128** | **5,256** | **5,388** | **5,522** | **5,660** | **5,802** | **5,947** |
| | | | | | | | | | | |
| **GROSS INCOME** | **830,816** | **851,586** | **872,876** | **894,698** | **917,065** | **939,992** | **963,492** | **987,579** | **1,012,268** | **1,037,575** |
| *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% | 5.00% |
| Less: Vacancy Loss | 41.541 | 42.579 | 43.644 | 44,735 | 45.853 | 47,000 | 48,175 | 49.379 | 50.613 | 51,879 |
| **EFFECTIVE** GROSS **INCOME** | **789,275** | **809,007** | **829,232** | **849,963** | **871,212** | **892,992** | **915,317** | **938,200** | **961,655** | **985,696** |
| | | | | | | | | | | |
| **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 | 353.382 | 367,517 | 382.218 | 397.506 | 413.407 | 429,943 | 447.141 | 465.026 | 483.627 | 502,972 |
| Replacement Reserve | 34,178 | 34.178 | 34,178 | 34,178 | 34.178 | 35.886 | 35,886 | 35,886 | 35,886 | 35.886 |
| MHP Fee | 14.014 | 14,014 | 14,014 | 14,014 | 14.014 | 14,014 | 14,014 | 14,014 | 14.014 | 14.014 |
| *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 | 609 | 622 | 634 | 647 | 660 | 673 | 686 | 700 | 714 | 728 |
| **TOTAL EXPENSES** | **388,169** | **402,316** | **417,029** | **432,331** | **448,244** | **466,502** | **483,713** | **501,613** | **520,228** | **539,587** |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | **401,106** | **406,691** | **412,203** | **417,632** | **422.968** | **426,490** | **431,604** | **436,587** | **441,427** | **446,109** |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 303,317 | 303,317 | 303,317 | 303,317 | 303,317 | 303.317 | 303,317 | 303,317 | 303,317 | 303,317 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | | | |
| | | | | | | | | | | |
| **CASH FLOW after debt service** | **97,789** | **103,374** | **108,886** | **114,315** | **119,651** | **123,173** | **128,286** | **133.270** | **138,110** | **142,792** |
| **DEBT COVERAGE RATIO** | **1.32** | **1.34** | **1.36** | **1.38** | **1.39** | **1.41** | **1.42** | **1.44** | **1.46** | **1.47** |

# Cash Flow

| RENTAL INCOME | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year27 | Year28 | Year29 | Year30 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***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* | *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 | 1,057,419 | 1,083,854 | 1,110,951 | 1,138,724 | 1,167,193 | 1,196,372 | 1,226,282 | 1,256,939 | 1,288,362 | 1,320,571 |
| **TOTAL RENTAL INCOME** | **1,057,419** | **1,083,854** | **1,110,951** | **1,138,724** | **1,167,193** | **1,196,372** | **1,226,282** | **1,256,939** | **1,288,362** | **1,320,571** |
| | | | | | | | | | | |
| **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 | 6,096 | 6.248 | 6.404 | 6,564 | 6,728 | 6,897 | 7.069 | 7,246 | 7,427 | 7,613 |
| Other Income | 0 | 0 | 0 | *0* | *0* | *0* | *0* | **0** | **0** | **0** |
| **TOTAL OTHER INCOME** | **6,096** | **6,248** | **6,404** | **6,564** | **6,728** | **6,897** | **7,069** | **7,246** | **7,427** | **7,613** |
| | | | | | | | | | | |
| **GROSS INCOME** | **1,063,515** | **1,090,102** | **1,117,355** | **1,145,289** | **1,173,921** | **1,203,269** | **1,233,351** | **1,264,185** | **1,295,789** | **1,328,184** |
| ***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%* | *5.00%* |
| Less: Vacancy Loss | 53,176 | 54.505 | 55,868 | 57,264 | 58,696 | 60,163 | 61,668 | 63,209 | 64,789 | 66,409 |
| **EFFECTIVE GROSS INCOME** | **1,010,339** | **1,035,597** | **1,061,487** | **1,088,024** | **1,115,225** | **1,143,106** | **1,171,683** | **1,200,975** | **1,231,000** | **1,261,775** |
| | | | | | | | | | | |
| **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 | 523,091 | 544,015 | 565,775 | 588,406 | 611,943 | 636,420 | 661,877 | 688,352 | 715,886 | 744,522 |
| Replacement Reserve | 37,681 | 37.681 | 37.681 | 37,681 | 37,681 | 37,681 | 39,565 | 39,565 | 39,565 | 39,565 |
| MHP Fee | 14,014 | 14.014 | 14,014 | 14,014 | 14,014 | 14,014 | 14,014 | 14.014 | 14,014 | 14,014 |
| ***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 | 743 | 758 | 773 | 788 | 804 | 820 | 837 | 853 | 871 | 888 |
| **TOTAL EXPENSES** | **561,515** | **582,453** | **604,229** | **626,876** | **650,428** | **674,921** | **702,279** | **728,771** | **756,322** | **784,975** |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | **448,824** | **453,144** | **457,258** | **461,149** | **464,797** | **468.184** | **469,405** | **472,205** | **474,678** | **476,800** |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - **1st** Mortgage | 303,317 | 303,317 | 303.317 | 303,317 | 303,317 | 303,317 | 303,317 | 303,317 | 303,317 | 303.317 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | | | |
| | | | | | | | | | | |
| **CASH FLOW after debt service** | **145,507** | **149,827** | **153,941** | **157,831** | **161,480** | **164,867** | **166,087** | **168,888** | **171,361** | **173,483** |
| **DEBT COVERAGE RATIO** | **1.48** | **1.49** | **1.51** | **1.52** | **1.53** | **1.54** | **1.55** | **1.56** | **1.56** | **1.57** |

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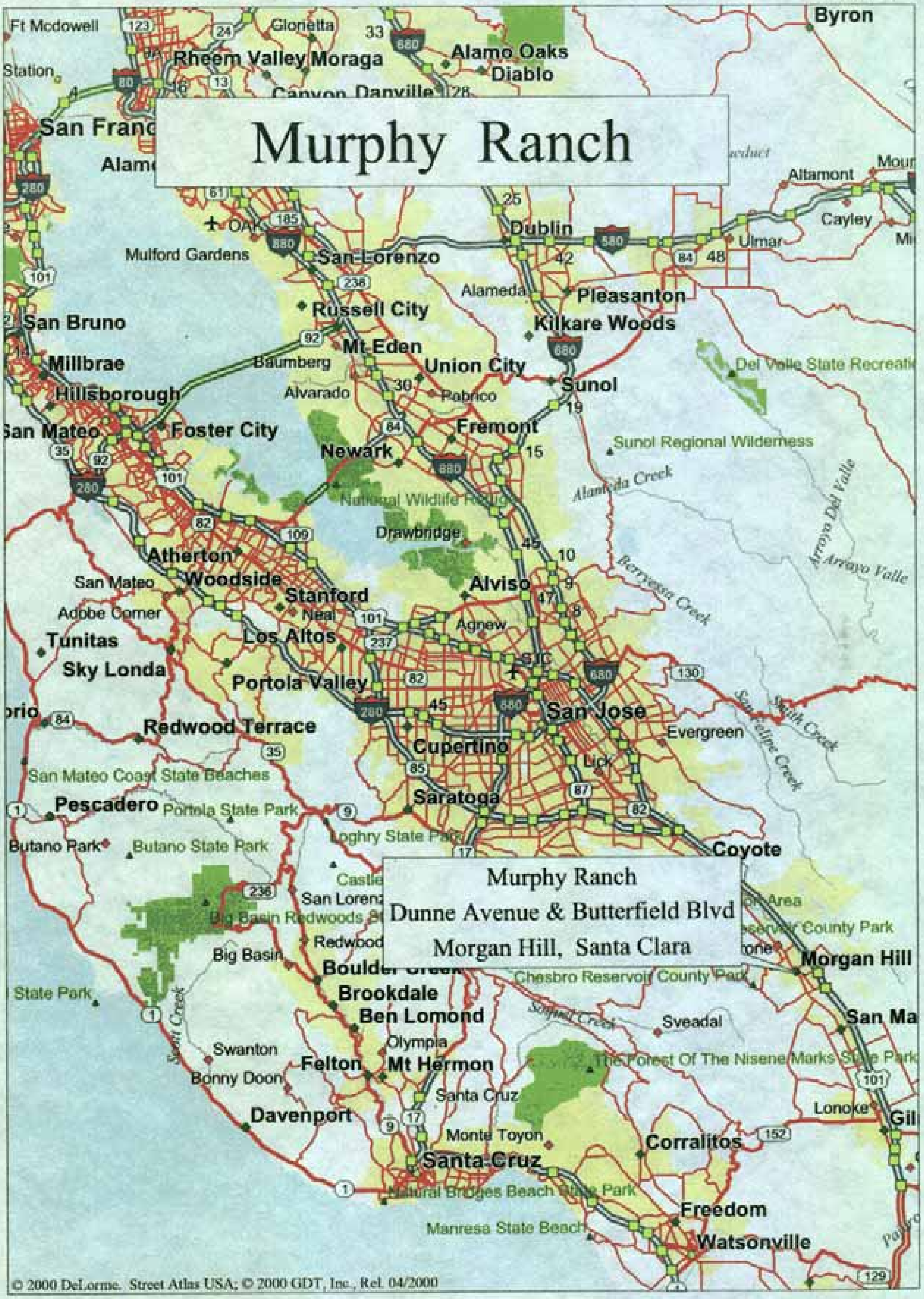
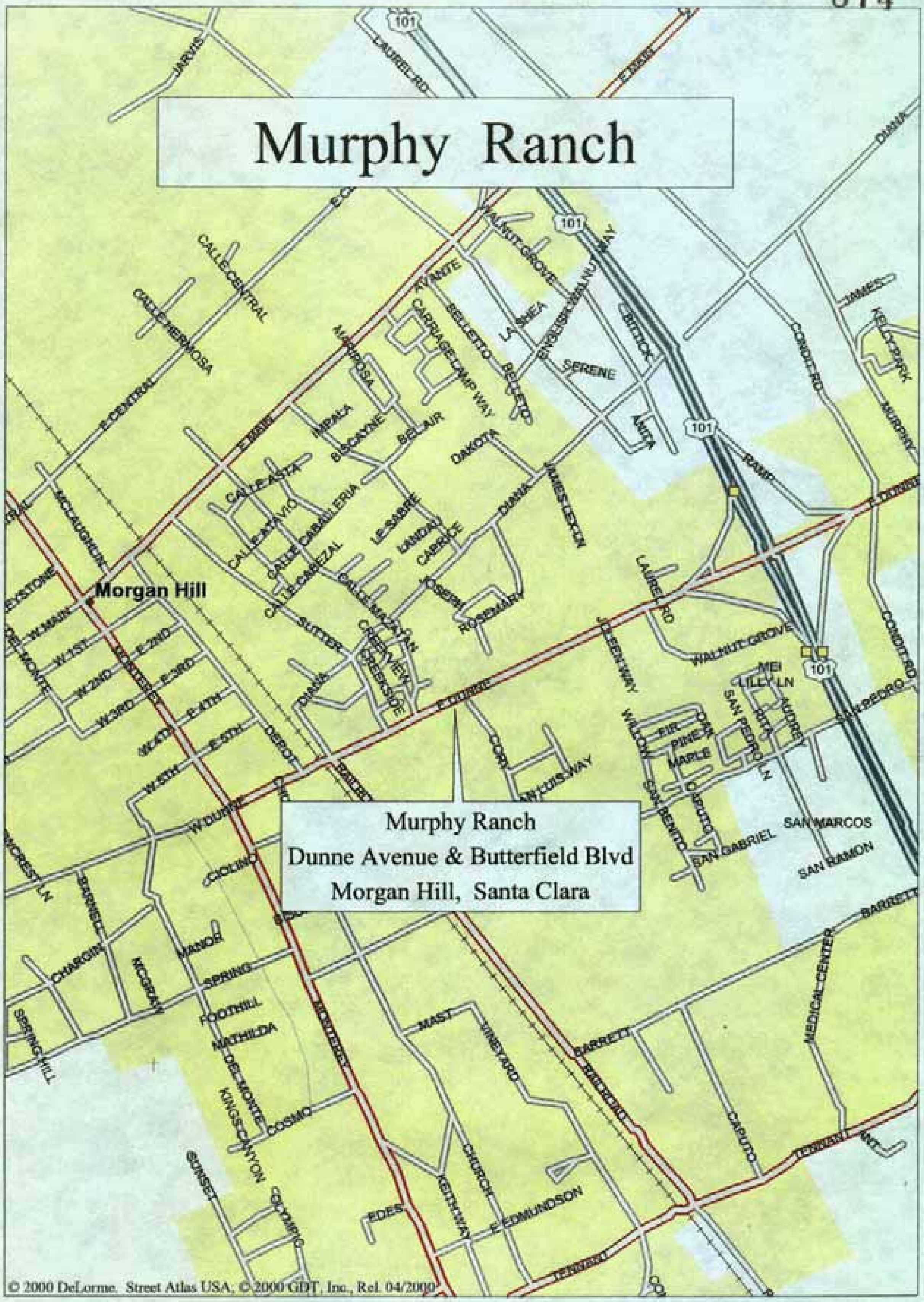
# Murphy Ranch




Murphy Ranch
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Dunne Avenue & Butterfield Blvd
Morgan Hill, Santa Clara
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101
CALLE CENTRAL
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DIANA
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WALNUT GROVE
JOLEEN WAY
SAN PEDRO
SAN MARCOS
SAN RAMON
SAN GABRIEL
MAPLE
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BARRETT
MEDICAL CENTER
CONDIT RD
MURPHY
CIOLINO
MANOR
SPRING
FOOTHILL
MATHILDA
CHARGIN
MCGRAW
COSMO
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RESOLUTION 01-21

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Murphy Ranch, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 62-unit multifamily housing development located in the City of Morgan Hill to be known as Murphy Ranch Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 7, 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 May 24, 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 his/her recommended terms and conditions, including those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 01-026-N | Murphy Ranch Apartments<br>Morgan Hill/Santa Clara | 62<br><br>First Mortgage:<br>Loan-to-Lender: | <br><br>$4,355,000<br>$8,475,000 |

2. 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 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 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 Multifamily 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 01-21 adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento, California.

ATTEST:______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

## Final Commitment
## El Encanto Apartments
## CHFA Ln. # 01-020-S

**SUMMARY:** This is a Final Commitment request for two loans, a first mortgage in the amount of $905,000 amortized over thirty-five years and a bridge loan in the amount of $785,000 for one year. The project is El Encanto Apartments, a 16-unit, family, new construction project located at **7388** Calle Real, Goleta, Santa Barbara County.

**LOAN TERMS:**

| | |
|---|---|
| **1st Mortgage Amount:** | **$905,000** |
| Interest Rate: | 5.85% |
| Term: | 35 year fixed. fully amortized |
| Financing: | Tax-exempt |
| **Bridge Mortgage Amount:** | **$785,000** |
| Interest Rate: | 5.85% |
| Term: | 1 year, simple interest |
| Financing: | Tax-exempt |

**LOCALITY INVOLVEMENT:**

- County of Santa Barbara- **$743,246,** 3.0%, 55 year term, residual receipt
- Housing and Community Development, MHP- **$376,524, 3.0%,** 35 year term, residual receipt, **$1,242** annual fee

## MARKET:

### A. Market Overview

The project is located in Goleta, an unincorporated portion of the South Coast of Santa Barbara County. Goleta is 100 miles northwest of Los Angeles and 350 miles southeast of San Francisco. The population of South Coast numbers approximately 193,000 as of 2000 and the economic base is primarily tourism, agriculture, research and development and government, including the Santa Barbara campus of the University of California.

The Goleta Valley is bounded on the east by the City of Santa Barbara, on the north by the Santa Ynez Mountains, on the south by the Pacific Ocean and on the west by the Gaviota Coast. It is the largest unincorporated area in the State of California with an estimated population in 2000 of **55,204.** The economic base has shifted since 1990 from large government subcontractors like Delco and Hughes to a center for the development of computer software, technology and information exchange.

Development in the Goleta Valley is limited by a growth ordinance, the Goleta Growth Management Ordinance ("GGMO") that restricts the amount of residential and commercial/industrial development in the Goleta Valley until the year 2008. Under the GGMO, 904,500 square feet of growth is allowed for the period of 1999 to **2008.** Additionally, the county adopted a traffic mitigation fee for Goleta in 1999 that further increased the cost of new development. The fees range from $1 to $369 per square foot depending upon the traffic a use will generate.

### B. Market Demand

Demand for all types of housing in the South Coast exceeds supply because of governmental constraints on development and a shortage of developable land. Most new development has been single-family homes and condominiums that are more financially feasible than apartments. According to Economic Outlook 2001 by the UC Santa Barbara Economic Forecast Project the average apartment rental rate in Goleta increased from $996 to $1 197 from 1996 to 2000. Vacancy rates on the four affordable projects reviewed were 0%. On the six market rate units vacancy rates ranged from a low of 0% (for four projects) with the two remaining projects at 2% and **5%.**

### C. Housing Supply

The two largest concentrations of apartments in Goleta are in Ellwood Beach and Isla Vista next **to** U.C. Santa Barbara. While rental housing in Goleta is much older, age of the project is offset by the project's proximity to the freeway. Rental rates in Isla Vista are approximately **40%** higher than those in Goleta due to its proximity to the university, however, they are included in this review because there are no market rate three-bedroom units available in the Goleta area.

**PROJECT FEASIBILITY:**

## A. Rent Differentials ( Market vs. Restricted)

| Rent Level | Subject Project | Mkt. Rate Avg. | Difference | % of Market |
|---|---|---|---|---|
| **Two Bedroom** | | **$1,250** | | |
| *35%* | $412 | | **$838** | *33%* |
| 60% | $740 | | $510 | 59% |
| | | | | |
| **Three Bedroom** | | $1,750 | | |
| *35%* | $469 | | $1,281 | 27% |
| 60% | $846 | | $904 | 48% |

**PROJECT DESCRIPTION:**

- Currently zoned shopping center/0 residential density. Recommended zoning change to Design Residential/Affordable Housing Overlay to be approved by the Board Of Supervisors in late June. The new zoning will allow twenty units per acre.

- Project location: Western Goleta. approximately **1.5** miles north of the University of California at Santa Barbara and 9 miles west of the City of Santa Barbara.

- Surrounding improvements: The project is surrounded by commercial shopping to the west; a residential condominium development to the east and north, and **U.S.** Highway 101 to the south. Directly to the rear of the site is a drainage area that is being converted to a bicycle path by the County of Santa Barbara. The path leads directly to a proposed pedestrian and bicycle over-crossing across U.S. 101 and the Southern Pacific railroad tracks to the new Camino Real Marketplace Shopping Center (500,000 **sq.** feet).

- Proximity to schools: 1/2 mile from the neighborhood elementary school, the park and the high school; **2** miles from the junior high.

- Project description: 16-unit apartment; four two-story buildings; **42** open parking spaces. 8 two-bedroom, one-bath units (930 **sq.** ft.) and 8 three-bedroom, two-bath units (1,120 **sq.** ft.).

- Amenities: Patios or balconies, a laundry room, a common area lounge, a tot lot and a picnic area. The sponsor is also providing an after-school activities program for children that includes supervised recreation on site.

**OCCUPANCY RESTRICTIONS:**

MHP: **25%** of the units **(4)** will be restricted to 3 % **or** less of state median income.

CHFA: **20%** of the units (rounded up to **4)** will be restricted to 50% or less of median income.

County of Santa Barbara:
49% of the units **(7)** will be restricted to 80% or less of median income.

TCAC: 100%of the units (1*6)* will be restricted to 60% or less of median income.

**ENVIRONMENTAL:**

- A preliminary Phase I was completed by Rincon Consultants, Inc. ("Rincon") on May 8, 2001 and no adverse conditions were noted. A Phase I-Environmental Assessment Report that conforms to ASTM standards has been ordered. The final commitment is conditioned upon receipt and acceptance by CHFA of the Phase I.

- A seismic review by URS has been ordered. The final commitment is conditioned upon receipt and acceptance by CHFA of the seismic review.

- A noise study was completed by ARTNTEK on February 28, 2001. Recommendations were made to mitigate the noise from U.S. Highway 101 and those recommendations have been incorporated into the project design.

**ARTICLE 34:**

An opinion letter has been received from the County of Santa Barbara stating the project is to be constructed under Article **34** authorization received by voters on March *6,* **1979.**

**DEVELOPMENT TEAM:**

**A. Borrower's profile**

The general partner for the limited partnership (to be formed) is Santa Barbara Community Housing Corporation, a non-profit public benefit corporation ("CHC"). Related Capital will be the limited partner and equity investor.

CHC was created by the Santa Barbara County Community Action Commission in 1975 and became independent in 1978. CHC's purpose is to develop high quality affordable housing for **low** and moderate-income county residents. To date CHC has completed 21 low and moderate-income housing projects totaling 600 units throughout Santa Barbara County.

### B. Contractor

Weststar Ltd. ("Weststar") is the contractor and provided the construction cost estimates for the project. Weststar specializes in the development of luxury homes, and small condominium and apartment complexes. They have constructed 2 affordable housing projects with a total of **21** units.

### C. Architect

Peikert Group Architects is a full service architectural firm originally founded in 1989 in Santa Barbara. They are a full service architectural firm that specializes in designing sustainable, affordable housing. They have designed seven affordable projects with a total of 686 units.

### D. Management Agent

CHC will be the property manager. CHC has a full-service property management division and manages fourteen low-income multi-family projects with a total of 277 units. All fourteen projects were developed by CHC.

# Project Summary

Date: 8-Jun-01

## Project Profile:

| | | | |
|---|---|---|---|
| *Project* | El Encanto Apartments | *Appraiser* | Benjamin F Snuth, MAI |
| *Location* | 7388 Calle Real | | Hammock. Arnold, Smith |
| | Goleta | *Cap Rare* | 7 00% |
| *County/Zip* | Santa Barbara 93117 | *Market* | S 2,875,000 |
| *Borrower* | El Encanto Associates | *Income* | S 2,800,000 |
| *GP* | Santa Barbara Community Housing C | *Final Value* | S 2,850,000 |
| *LP* | Related Capital Company | | |
| | | ***LTC/LTV:*** | |
| *Program* | Tax Exempt | *Loan/Cost* | 28 4% |
| *CHFA #* | 01-020-S | *Loan/Value* | 31.89 |

## Project Description:

| | |
|---|---|
| *Units* | 16 |
| *Handicap Units* | 1 |
| *Bldge Type* | New Const |
| *Buildings* | 4 |
| *Stories* | 2 |
| *Gross Sq Ft* | 23.051 |
| *Land Sq Ft* | 40.880 |
| *Units/Acre* | 17 |
| *Total Parking* | 42 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $905,000 | $56,563 | 5.85% | 35 |
| Count) of Santa Barbara | $743,246 | $46.453 | 3 00% | 35 |
| MHP | $376,524 | $23,533 | 3.00% | 35 |
| Land Donation | $140.000 | $8.750 | 0.00% | 35 |
| Developer Contribution | $0 | $0 | | |
| Tax Credit Equity | $1,006,287 | $62,893 | | |
| Deferred Developer Fee | $15,252 | $953 | | |
| CHFA Bridge | $785,000 | $49,063 | 5.85% | 1 |
| CHFA HAT | $0 | $0 | 0 00% | |

## Unit Mix:

| Type | Size | Number | SMI/AMI | Rent | Max Income |
|---|---|---|---|---|---|
| 2 BR | 880 | 2 | 35% | $412 | $17,815 |
| 2 BR | 880 | 5 | 60% | $740 | $30,540 |
| 2 BR | 880 | 1 | Manager | $699 | N/A |
| 3 BR | 1,120 | 2 | 35% | $469 | $19,775 |
| 3 BR | 1,120 | 6 | 60% | $846 | $36,600 |
| | | 16 | | | |

## Fees, Escrows and Reserves:

| Escrows | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | $16,900 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $16,900 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $16,900 | Letter of Credit |
| Utility Stabilization Reserve | 150.00% | of Utility Costs | $16.800 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $13.638 | Letter of Credit |
| Annual Replacement Reserve Deposit | 0.60% | of Hard Costs | $7,485 | Operations |
| Construction Defects Security Agreement | 2.50% | of Structures | $26,995 | Letter of Credit |

# Sources and Uses

## El Encanto Apartments

### SOURCES:

| *Name of Lender / Source* | **Amount** | **$per unit** |
|---|---|---|
| CHFA First Mortgage | 905.000 | 56.563 |
| CHFA Bridge | 0 | 0 |
| CHFA HAT | 0 | 0 |
| County of Santa Barbara | 743,246 | 46.453 |
| MHP | 376,524 | 23.533 |
| Land Donation | 140,000 | 8,750 |
| **Total Institutional Financing** | **2,164,770** | **135,298** |
| *Equity Financing* | | |
| Tax Credits | 1,006.287 | **62,893** |
| Deferred Developer Equity | **15,252** | **953** |
| **Total Equity Financing** | **1,021,539** | **63,846** |
| **TOTAL SOURCES** | **3,186,309** | **199,141** |

### USES:

| | | |
|---|---|---|
| Acquisition | 500,000 | 31.250 |
| Rehabilitation | 0 | 0 |
| New Construction | 1,692.438 | 105,777 |
| Architectual Fees | 80.000 | 5.000 |
| Survey and Engineering | 66.750 | **4.172** |
| Const. Loan Interest & Fees | 86,426 | 5.402 |
| Permanent Financing | 85,223 | 5,326 |
| Legal Fees | 17,500 | 1.094 |
| Reserves | 30,438 | 1.902 |
| Contract Costs | 9,932 | 621 |
| Construction Contingency | 157,000 | 9.813 |
| Local Fees | 234,145 | 13.384 |
| TCAC/Other Costs | 14,280 | 893 |
| **PROJECT COSTS** | **2,954,142** | **184,634** |
| Developer Overhead/Profit | 232,167 | 14.510 |
| Consultant/Processing Agent | 0 | 0 |
| **TOTAL USES** | **3,186,309** | **199,144** |

# Annual Operating Budget

## El Encanto Apartments

| | Amount | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 134.844 | 8,428 |
| Laundry | 1,536 | 96 |
| Other Income | 0 | |
| Commercial/Retail | 0 | |
| **Gross Potential Income (GPI)** | **136,380** | **8,524** |
| **Less:** | | |
| Vacancy **Loss** | 6,819 | 426 |
| **Total Net Revenue** | **129,561** | **8,098** |
| **EXPENSES:** | | |
| Payroll | 6,000 | **375** |
| Administrative | 12.441 | 778 |
| Utilities | 18,712 | 1,170 |
| Operating and Maintenance | 9.91 1 | 619 |
| Insurance and Business Taxes | ***5,564*** | 348 |
| Taxes and Assessments | 2.742 | 171 |
| Reserve for Replacement Deposits | 7,485 | 468 |
| **Subtotal Operating Expenses** | **62,859** | **3,929** |
| **Financial Expenses** | | |
| Mortgage Payments ( lst loan) | 60,833 | 3,802 |
| **Total Financial** | **60,833** | **3,802** |
| **Total Project Expenses** | **123,691** | **7,731** |

# Cash Flow

**El Encanto** Apartments CHFA # 01-020-S

| RENTAL INCOME | Ycar I | Year 2 | Year 3 | Ycar 4 | Year 5 | Year 6 | Year 7 | Year 1 | Year 9 | Year I0 |
|---|---|---|---|---|---|---|---|---|---|---|
| *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 | NIA | NIA | N/A | N/A | NIA | NIA | NIA | 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 | **134,844** | 138,215 | 141,670 | **145,212** | 148.843 | 152,564 | 156.378 | **160,287** | **164,294** | **168,402** |
| TOTAL RENTAL INCOME | **134,844** | 138,215 | 141,671 | 145,212 | 148,843 | 152,564 | 156,378 | 160,287 | 164,294 | 168,402 |
| **OTHER INCOME** | | | | | | | | | | |
| *Other Income Increase* | *2 50%* | *2 50%* | *2 50%* | 2 50% | *2 50%* | *2 50%* | 2 50% | *2 50%* | *2 50%* | *2 50%* |
| Laundry | **1,536** | 1.574 | **1,614** | **1,654** | 1,695 | **1,738** | **1,781** | **1,826** | **1,871** | **1,918** |
| Other Income | N/A | NIA | NIA | NIA | NIA | N/A | NIA | N/A | NIA | N/A |
| TOTAL OTHER INCOME | **1,536** | 1,574 | 1.614 | 1,654 | 1,695 | 1,731 | 1,781 | **1,826** | 1,871 | 1,918 |
| GROSS INCOME | 136,380 | 139,790 | 143,284 | **146,866** | **150,538** | 154.301 | 158,159 | 162,113 | 166,166 | 170,320 |
| *Vacancy Rate : Market* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vrancy Loss | **6,819** | 6,989 | **7,164** | 7.343 | 7.527 | 7.715 | **7,908** | **8,106** | 8.308 | **8,516** |
| **EFFECTIVE GROSS INCOME** | 129.561 | 132,800 | 136,120 | 139,523 | 143.011 | 146,586 | 150.251 | 154.007 | **157,858** | **161,104** |
| **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 | 52.611 | 54.737 | 56.926 | **59,203** | **61,571** | 64,034 | **66,595** | **69,259** | 72.030 | 74.911 |
| **MHP Fee** | **1,242** | **1,242** | **1,242** | 1,242 | 1,242 | **1,242** | **1,242** | 1,242 | 1,242 | 1,242 |
| Replacement Reserve | **7,485** | 7.485 | 7.485 | 7.485 | 7.485 | 7.860 | 7.860 | **7,860** | 7.860 | 8,253 |
| ***Annual Tax Increase*** | *2.00%* | *2.00%* | 2.00% | *2.00%* | *2 00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | **1,500** | 1,530 | **1,561** | 1,592 | 1,624 | **1,656** | 1,689 | **1,723** | **1,757** | 1,793 |
| TOTAL **EXPENSES** | 62.859 | 63,152 | 65,972 | 68,280 | **70,680** | 73.550 | 76,144 | 78,842 | 81,647 | 84,956 |
| **NET OPERATING INCOME** | 66,702 | 69,048 | 70,148 | 71,243 | 72,331 | 73.036 | 74,107 | 75,165 | 76,211 | 76,848 |
| **DEBTSERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 60.833 | 60,833 | 60,833 | 60,833 | *60.833* | 60,833 | 60,833 | 60.833 | 60.833 | 60,833 |
| CHFA - Bridge Loan | **830,923** | **0** | **0** | **0** | **0** | | | | | |
| CHFA - HAT | **0** | **0** | **0** | 0 | **0** | 0 | **0** | **0** | **0** | **0** |
| CASH FLOW **after debt service** | 5.870 | 8.215 | 9,315 | 10,410 | 11,498 | 12,204 | 13,274 | 14,333 | 15,378 | 16,015 |
| **DEBT** COVERAGE **RATIO** | **1.10** | 1.14 | 1.15 | 1.17 | 1.19 | 1.20 | 1.22 | 1.24 | 1.25 | 1.26 |

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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 |
|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Market Rents | NIA | NIA | NIA | NIA | N/A | N/A | NIA | NIA | NIA |
| *Affordable Rent Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Affordable Rents | 172,612 | 176.927 | 181,350 | 185,884 | 190,531 | 195,294 | 200,177 | 204.181 | 210.311 |
| TOTAL RENTAL INCOME | 172,612 | 176,927 | 181,350 | 185,884 | 190.531 | 195,294 | 200,177 | 205,1111 | 210,311 |
| **OTHER INCOME** | | | | | | | | | |
| *Other Income Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| lmundry | 1,966 | 2,015 | 2,066 | 2,117 | 2.170 | 2.225 | 2,280 | 2.337 | 2.396 |
| Other Income | N/A | NIA | NIA | N/A | N/A | NIA | NIA | N/A | N/A |
| TOTAL OTHER INCOME | 1,966 | 2,01S | 2,066 | 2.117 | 2,170 | 2,225 | 22110 | 2,337 | 2,396 |
| GROSS INCOME | 174,578 | 178,942 | 1113416 | 188,001 | 192,701 | 197.519 | 202,457 | 207,518 | 212,706 |
| *Vacancy Rate : Market* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| *Vacancy Rate : Affordable* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 8.729 | 8.947 | 9.171 | 9.400 | 9,635 | 9.876 | 10,123 | 10.376 | 10,635 |
| EFFECTIVE CROSS INCOME | 165,849 | 169,995 | 174,245 | 178,601 | 183,066 | 187,643 | 192,334 | 197,142 | 202.071 |
| **OPERATING EXPENSES** | | | | | | | | | |
| *Annual Expense Increase* | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Expenses | 77.907 | 81,024 | 84,264 | 87.635 | 91,140 | 94.786 | 98,578 | 102.521 | 106,621 |
| MHP Fee | 1,242 | 1,242 | 1,242 | 1.242 | 1,242 | 1.242 | 1,242 | 1.242 | 1,242 |
| Replacement Reserve | x.253 | 8.253 | 8,253 | 8,253 | 8,665 | 8.665 | 8,665 | 8,665 | 8,665 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 1,828 | 1,865 | 1,902 | 1,940 | 1,979 | 2.019 | 2.059 | 2.100 | 2.142 |
| TOTAL EXPENSE.. | 87,988 | 91,141 | 94,420 | 97,828 | 101,785 | 105,470 | 109,302 | 113,286 | 117,429 |
| NET OPERATING INCOME | 77,861 | 78,854 | 79,826 | 80,773 | 81,281 | 82,173 | 83,032 | 83.856 | 84,642 |
| **DERT SERVICE** | | | | | | | | | |
| CHFA - 1st Mortgage | 60,833 | 60.833 | 60,833 | 60,833 | 60,833 | 60,833 | 60,833 | 60,833 | 60,833 |
| CHFA - Bridge Loan | | | | | | | | | |
| CHFA - HAT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH FLOW after debt service | 17,028 | 18,021 | 18,993 | 19,941 | 20,449 | 21,340 | 22,199 | 23,024 | 23,809 |
| DEBT COVERAGE RATIO | 1.28 | 1.30 | 1.31 | 1.33 | 1.34 | 1.35 | 1.36 | 1.38 | 1.39 |

# Cash Flow

| RENTAL INCOME | Year 20 | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 |
|---|---|---|---|---|---|---|---|---|---|---|
| *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 | NIA | NIA | 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 | 215.568 | 220,958 | 226,482 | 232.144 | 237,947 | 243.896 | 249,993 | 256.243 | 262.649 | 269.215 |
| TOTAL RENTAL INCOME | 215,568 | 220,958 | 226,482 | 232,144 | 237,947 | 243,896 | 249,993 | 256,243 | 262,649 | 269,215 |
| **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 | 2.456 | 2.517 | 2.580 | 2.644 | 2.710 | 2.778 | 28411 | 2.919 | 2,992 | 3.067 |
| Other Income | NIA | NIA | NIA | NIA | N/A | NIA | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | 2.456 | 2,517 | 2.580 | 2,644 | 2.710 | 2,778 | 2,848 | 2.919 | 2,992 | 3,067 |
| GROSS INCOME | 218,024 | 223.475 | 229,061 | 234.788 | 240,658 | 246.674 | 252,841 | 259,162 | 265,641 | 272,282 |
| *Vacancy Rate : Market* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 10,901 | 11,174 | 11,453 | 11,739 | 12,033 | 12,314 | 12,642 | 12,958 | 13,282 | 13,614 |
| EFFECTIVE GROSS INCOME | 207,123 | 212,301 | 217,608 | 223,049 | 228,625 | 234,340 | 240,199 | 246,204 | 252,359 | 258,668 |
| **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 | 110.886 | 115.322 | 119,935 | 124,732 | 129.721 | 134,910 | 140.307 | 145.919 | 151,756 | 157,826 |
| MHP Fee | 1,242 | 1,242 | 1,242 | 1,242 | 1,242 | 1.242 | 1,242 | 1,242 | 1,242 | 1,242 |
| Replacement Reserve | 9,099 | 9,099 | 9.009 | 9.099 | 9.099 | 9.554 | 9,554 | 9.554 | 9.554 | 9.554 |
| *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 | 2,185 | 2.229 | 2.273 | 2.319 | 2.365 | 24 13 | 2,461 | 25 10 | 2,560 | 26 12 |
| TOTAL EXPENSES | 122,170 | 126,649 | 131,307 | 136,150 | 141,185 | 146,876 | 152.321 | 157.982 | 163,869 | 169,991 |
| NET OPERATING INCOME | 84,953 | 85,652 | 86,302 | 86,899 | 87,439 | 87,464 | 87,878 | 88,221 | 88,489 | 88,677 |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 60,833 | 60,833 | 60,833 | 60.813 | 60,833 | 60,833 | 60,833 | 60,833 | 60,833 | 60.1133 |
| CHFA - Rridgc Loan | | | | | | | | | | |
| CHFA - HAT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH FLOW after debt service | 24,120 | 24,819 | 25,469 | 26,066 | 26.607 | 26,631 | 27,045 | 27,389 | 27,657 | 27,845 |
| DEBT COVERAGE RATIO | 1.40 | 1.41 | 1.42 | 1.43 | 1.44 | 1.44 | 1.44 | 1.45 | 1.45 | 1.46 |

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# Cash Flow

| RENTAL INCOME | Year 30 | Year 31 | Ycar 32 | Year 33 | Year 34 | Year 35 |
|---|---|---|---|---|---|---|
| *Market Rent Increase* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| **Market Rents** | NIA | NIA | N/A | N/A | N/A | NIA |
| *Affordable Rent Increase* | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% |
| **Affordable Rents** | 277.946 | 282.844 | 2XY.Y16 | 297,163 | 304,592 | 3 12.207 |
| TOTAL RENTAL INCOME | 275,946 | 202,1144 | 289,916 | 297,163 | 304,593 | 312,207 |
| OTHER INCOME | | | | | | |
| *Other Income Increase* | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% |
| Laundry | 3.143 | 3.222 | 3.302 | 3.385 | 3.470 | 3,556 |
| Other Income | NIA | NIA | N/A | NIA | NIA | NIA |
| TOTAL OTHER INCOME | 3,143 | 3,222 | 3,302 | 3,385 | 3,470 | 3,556 |
| CROSS INCOME | 279.089 | 286,066 | 293,218 | 300,548 | 308,062 | 315,764 |
| *Vacancy Rate : Market* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Vacancy Rate : Affordable* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 13,954 | 14.303 | 14,661 | 15.027 | 15.403 | 15.788 |
| EFFECTIVE GROSS INCOME | 265,135 | 271,763 | 278,557 | 285,521 | 292,659 | 299,975 |
| **OPERATING EXPENSES** | | | | | | |
| *Annual Expense Increase* | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Expenses | 164,139 | 170,704 | 177.533 | 184,634 | 192,019 | 199,700 |
| MHP Fee | 1,242 | 1,242 | 1,242 | 1,242 | 1,242 | 1,242 |
| Replacement Reserve | 10,031 | 10,031 | 10,031 | 10.031 | 10,031 | 10,031 |
| *Annual Tax Increase* | 2 00% | 2 00% | 2 00% | 2 00% | 2 00% | 2 00% |
| Taxes and Assessments | 2,664 | 2.717 | 2.771 | 2,827 | 2,883 | 2.941 |
| TOTAL EXPENSES | 176,834 | 183,453 | 190,335 | 197.492 | 204.934 | 212,672 |
| NET OPERATING INCOME | 88,301 | 88,310 | 88,222 | 88,029 | 87,725 | 87,303 |
| DEBT SERVICE | | | | | | |
| CHFA - 1st Mortgage | 60,833 | 60,833 | 60,833 | 60,833 | 60,833 | 60,833 |
| CHFA - Bridge Loan | | | | | | |
| CHFA - HAT | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH FLOW after debt service | 27,468 | 27,478 | 27,389 | 27,197 | 26,893 | 26,471 |
| DEBT COVERAGE RATIO | 1.45 | 1.45 | 1.45 | 1.45 | 1.44 | 1.44 |

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El Encanto Apts
West Fork Santa Cruz Creek
Santa Cruz Creek
Cachuma Recreation Area
Santa Ynez River
154
Mono Creek
101
192
217
225
Ellwood
SBA
Montecito
Santa Barbara
Naval Reserve Center
El Encanto Apartments
7388 Calle Real
Goleta, Santa Barbara
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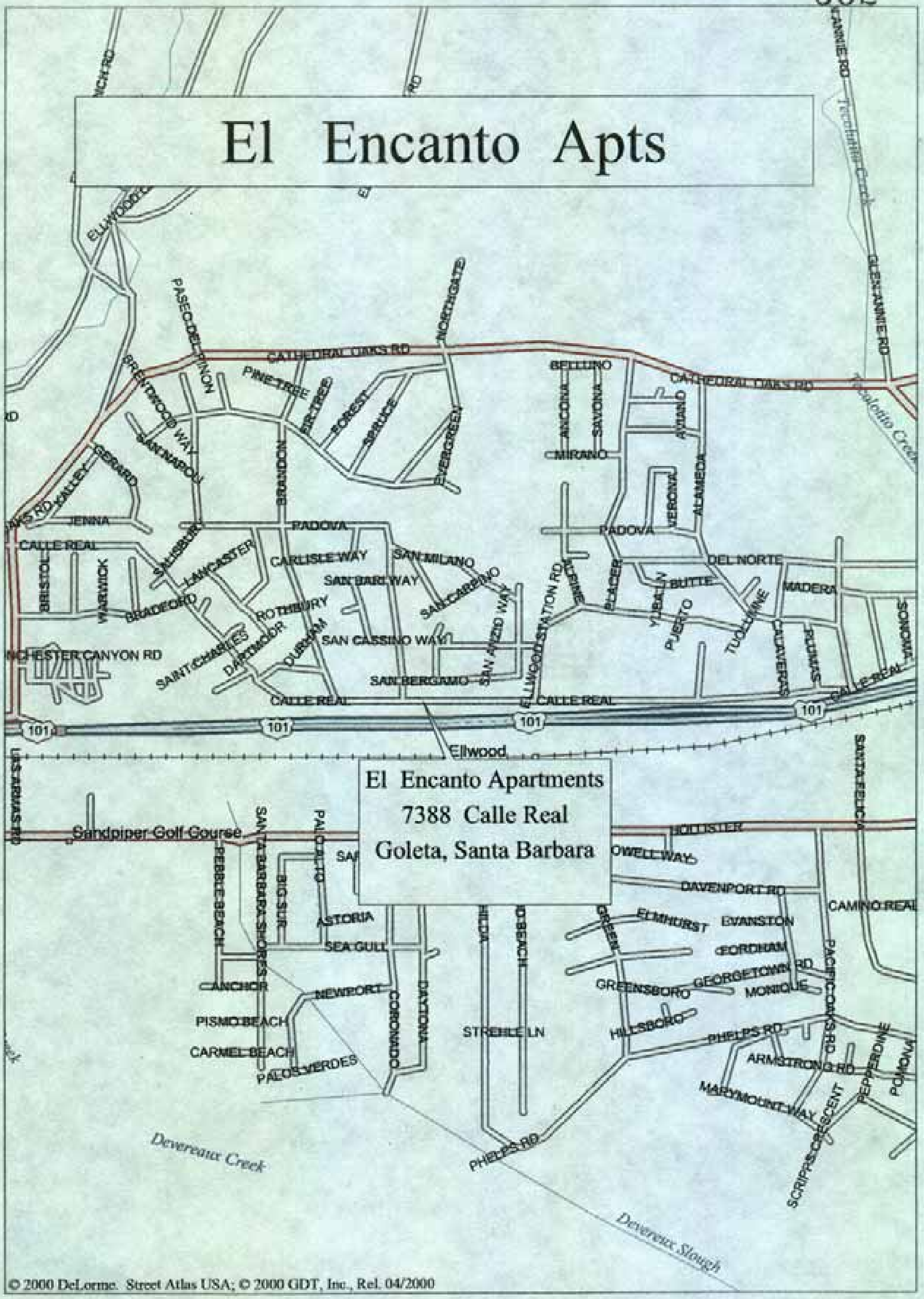
# El Encanto Apts



RESOLUTION 01-22

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Santa Barbara Community Housing Corporation, a nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 16-unit multifamily housing development located in the City of Goleta to be known as El Encanto Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 8, 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 May 24, 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 his/her recommended terms and conditions, including those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 01-020-s | El Encanto Apartments<br>Goleta/Santa Barbara | 16 | |
| | | First Mortgage: | $905,000 |
| | | BRIDGE Loan: | $785,000 |

2. 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 increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily 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 01-22 adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento, California.

ATTEST:_______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

## Final Commitment
## Parwood Apartments
## CHFA Ln. # 01-029-S

**SUMMARY:**

This is a Final Commitment request for a tax-exempt first mortgage in the amount of $28,700,000 amortized over 32 years at **5.7%** interest and a taxable tail of $3,000,000 at 7.0% interest. CHFA anticipates the loan will be insured through the HUD/FHA Risk Share Program. The project is Parwood Apartments, a 528-unit, family, existing project located at **5441** Paramount Boulevard, Long Beach, Los Angeles County.

**LOAN TERMS:**

| | |
|---|---|
| 1st Mortgage | $31,700,000* |
| Interest Rate | 5.859 |
| Term | 32 year fixed, fully amortized |
| Financing | Tax-exempt |

Note: *The first mortgage includes a taxable tail

**LOCALITY INVOLVEMENT:**

Parwood Apartments is located within the City of Long Beach's North Long Beach Redevelopment Project Area. The borrower is currently pursuing local financing with the Long Beach Housing Commission. The amount of financing and commitment have not been finalized at this time, however it is expected that approximately $3,000,000 will be available.

**SECTION 8 CONTRACT:**

**Section 221(d)(3):** The project will operate under CHFA **and** tax credit rents, with income restrictions at 50% and *60%* of median income. As part of the HUD sale transfer process, the borrower is submitting a request to HUD Los Angeles to incorporate the use and regulatory agreement under Title II into CHFA's regulatory agreement.

**Current Status:** Phase I has 80 units under Section 8 and phase II has 87 units under Section 8. The HAP contract is based upon annual renewals. The borrower will be obligated to seek and accept renewals if offered.

**Conversion Scenario:** The existing residents are likely to remain Section 8 tenants for several years and with the limited number of Section 8 units available at Parwood, the subject has a waiting list. 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 subsidies 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 from Section 8 to non-subsidized rents. Funding of the account will occur at loan closing from capitalized funds from the mortgage loan in the amount of **$145,000** into the TOR to cover approved operating shortfalls, which will be drawn on an "as needed" basis. In the event the transition costs do not materialize the TOR will be held as an operating reserve.

## MARKET

### A. Market Overview

Long Beach is an urban community of **457,000** residents located in the South Bay region of Los Angeles County. The city is home to the world-renowned Port of Long Beach, a rejuvenated and thriving downtown, major employers, tourist attractions, a State University, and varied residential communities.

### B. Market Demand

The following details the income distribution of renters and homeowners n Long Beach. Significant differences in income are related to whether a household owns or rents a home. For instance, renters have a lower income distribution than homeowners. Moreover, there **is** a significant higher percentage of very low- and low-income renters and a high percentage of moderate- and upper-income homeowners.

| | | | | |
|---|---|---|---|---|
| Very Low | 00-50% | 29.4% | 39.5% | 14.9% |
| Low | 51-80% | 17.9% | 20.9% | 13.5% |
| Moderate | 81-120% | 20.3% | 19.9% | 20.9% |
| Upper | Above 120% | 32.4% | 19.7% | 50.7% |

Although current data is not available, Long Beach notes the following due to the shortage of affordable housing.

- Approximately **61%** of large families in Long Beach earned low income **($49,750).** Of that total, **78%** of renters and **26%** of owners earned low income. Because the majority of large families earn low income, they have limited income available for housing and other necessities.
- According to the **1990** Census, Long Beach had **8,500** large homes with four or more bedrooms that could accommodate their **7,000** larger owner households. However, only **4,400** large apartments with three or more bedrooms were available to accommodate **14,310** large families.
- Because of a'shortage of affordable ownership housing that is suitable for large families, **37%** of homeowners overpaid for housing and **46%** lived in overcrowded conditions in **1990.** Among large renter households, 50% overpaid and **86%** lived in overcrowded housing.

In 1999, Southern California Association of Governments (SCAG) developed its Regional Housing Need Assessment (RHNA) based forecasts contained in SCAG's regional transportation plan. This included population, employment and household forecasts from **1998** through the Year **2005.**

Initially, SCAG assigned Long Beach a minimum construction need of **517** new units for the planning period of **1998** through **2005.** However, because the market had not improved as markedly in the Gateway subregion, with the exception of Long Beach, the City voluntarily assumed an additional **946** housing units from these **27** cities for a total RHNA of **1,464** units.

### C. Market Supply

The Long Beach Housing Authority maintains a database of rents charged for a cross section of multi-family and single-family homes. The City's survey places a greater emphasis upon smaller complexes that are more typical of the apartment and condominium housing Long Beach. However, to supplement this data and provide a benchmark for rents in large complexes, Real Facts periodically surveys Class "A: apartment complexes that have at least 100 units per complex.

According to these databases, rents charged for single-family and multi-family housing units range significantly depending on the size of the unit and the complex. For instance, rents range from **$444** for a studio, **$590** for a one-bedroom units, **$762** for a two-bedroom unit, to **$979** for a three-bedroom unit. Rent levels charged for larger Class "A" apartments run **20%** to **50%** higher than smaller complexes.

| Unit Type | Subject: | Section 8 | Market Rent | Dif. Btwn. Market | % Of Market |
|---|---|---|---|---|---|
| One Bedroom | | $646 | $691 | | |
| 50% | **$495** | | | $196 | 72% |
| 60% | $597 | | | $94 | 86% |
| Two Bedroom | | **$751** | $896 | | |
| 50% | $588 | | | $308 | 66% |
| 60% | $711 | | | $185 | 79% |
| Three Bedroom | | $911 | $1080 | | |
| 50% | $641 | | | s439 | 59% |
| 60% | $811 | | | $269 | 75% |

**PROJECT DESCRIPTION:**

This multi-family project consists of thirty two **(32)** two story garden apartment buildings **(528** units), sixteen laundry rooms, an administration office, and a recreation building. Onsite parking has a parking ratio of **1.5** spaces per unit. Other amenities include tot-lots, community center and pre-school (90 student capacity, ages **2-5).** The pre-school center is not included in the subject's mortgage or cashflow. The project was built in approximately 1968 and 1970 in two phases. Phase I has 248 units and phase II has 280 units.

The project is located on Paramount Boulevard, a major north-south arterial, near Candlewood, a major east-west arterial. The subject is in an established and well-planned neighborhood that is primarily characterized by residential (multi-family complexes, modest single-family homes, and mobile home park), neighborhood park, commercial and retail developments. The project **is** conveniently located near schools, recreation facilities, shopping, and transportation.

**REHABILITATION**

The proposed substantial rehabilitation is estimated to cost in excess of $4,500,000 with the following primary components to be addressed.

- New roofs (credit from seller)
- Waste plumbing lines
- Construct tot lots
- Remodel existing recreation/administration building
- Common area accessibility requirements
- Building exteriors-painurepair stucco and wood trim
- Landscaping
- Unit interiors-kitchens, bathrooms and living areas

## RELOCATION:

Rehabilitation work at the project will take place over a projected period of **24** months. The rehabilitation will commence immediately upon acquisition and residential improvements will be phased on a building-by-building basis. The developer does not anticipate the need to temporarily relocate tenants, but should the need arise, residents will be provided with referrals to available temporary housing.

Households that no longer income qualify in accordance with HUD and Tax Credit regulations, will be permanently relocated. Funds to address this expense are included in the development budget. The borrower has hired a professional relocation consultant to ensure procedures are adhered to under the Uniform Relocation Act.

## OCCUPANCY RESTRICTIONS:

CHFA: **20%** of the units (107) will be restricted to 50% or less of median income.

**TCAC:** 100% of the units (528) will be restricted to 60% or less of median income.

## ENVIRONMENTAL:

A Phase I-Environmental Assessment Report is being prepared by **EMG.** An acceptable Phase I will be a condition prior to issuance of the final commitment.

An acceptable asbestos and lead survey report will also be a requirement prior to issuance of the final commitment.

## ARTICLE 34:

Satisfactory evidence of Article XXXIV compliance will be a condition of the final commitment.

**DEVELOPMENT TEAM:**

**A. Borrower's profile**

The Parwood preservation project is to be undertaken jointly by The Related Companies of California ("Related) as the administrative general partner and Las Palmas Foundation, a non-profit public benefit corporation as the managing general partner. Related has twelve years of multi-family experience in California and they have developed over **1,458** units in **9** projects. Las Palmas Foundation was founded **last** year and they are currently involved in CHFA's Plaza Manor apartments in National City, San Diego.

**B. Contractor**

The Borrower will solicit bids for the proposed rehabilitation once the entire scope **of** work has been finalized. Preliminary rehab costs were derived from, and based upon the scope of work identified by the Property Need Assessment evaluation EMG is preparing.

**C. Architect**

The architect is Steve Wraight of Wraight Architects in Irvine, CA. Wraight Architects specialize in urban housing and their designs have been acknowledged through local and national awards for site planning sensitivity and contextual architecture.

**D. Management Agent**

Related Management Company ("RMC") will manage the project in conjunction with Las Palmas Foundation. RMC currently manages all projects developed by Related and prides themselves in providing a superior level of service that helps them attract and retain outstanding residential tenants. RMC has a rigorous preventative maintenance program and ongoing employee training which have enabled the company to keep operating expenses and capital expenditure levels below those of competing projects.

# Project Summary

Date: 7-Jun-01

[redacted]

## Project Description:

| | |
|---|---|
| Units | 528 |
| Handicap *Units* | |
| Bldge Type | Acq/Rehab |
| Buildings | 36 |
| Stories | 2 |
| Gross *Sq Ft* | 525.000 |
| Land *Sq Ft* | 611,147 |
| *Units/Acre* | 38 |
| *Total* Parking | 804 |
| Covered Parking | 402 |

Project : Parwood Apartments
*Location:* 5441 Paramount Blvd.
Long Beach 90805
County: Los Angeles
Borrower: Related Companies of CA
GP:
*GP:*
LP:
Program: Tax-Exempt
CHFA # : 01-029-S

*Cap Rate:* 8.00%
Market: $47,500,000
Income: $46,200,000
Final *Valu* $46,200,000

***LTC/LTV:***
*Loan/Cost* 60.6%
*Loan/Valu* 68.6%

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $31,700,000 | $60,038 | 5.85% | 32 |
| City of Long Beach | $3,000,000 | $5,682 | 0.00% | |
| Seller Credit | $132,000 | $250 | 0.00% | |
| Cashflow from Operations | $1,960,200 | $3.713 | 0.00% | |
| AHP | $0 | $0 | 0.00% | |
| other loan | $0 | $0 | 0.00% | |
| other loan | $0 | $0 | | |
| Developer Cash | $195.500 | $370 | | |
| Deferred Developer Equity | $1,560,000 | $2,955 | | |
| Tax Credit Equity | $13.729,689 | $26,003 | | |
| CHFA Taxable Tail | $3,000,000 | $5,682 | 7.00% | 32 |

Note Taxable tail included in 1st mortgage

## Unit Mix:

| Type | Manager | | 50% AMI | | 60% AMI | | Total |
|---|---|---|---|---|---|---|---|
| | number | rent | number | rent | number | rent | |
| 1 bedroom | | | 7 | 495 | 25 | 597 | 32 |
| 2 bedroom | 2 | | 80 | 588 | 318 | 711 | 400 |
| 3 bedroom | | | 20 | 641 | 76 | 811 | 96 |
| 4 bedroom | | | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | 528 |

## Fees, Escrows, and Reserves:

| Fees | Basis of Requirements | Amount | Security |
|---|---|---|---|
| Loan fees | 1.50% of Loan Amount | $475,500 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of Loan Amount | $347,000 | Letter of Credit |
| Inspection fee | $1,500 x months of construction | $22,500 | Letter of Credit |
| Construction Defect | 2.50% of Hard Costs | $0 | Letter of Credit |
| **Reserves** | | | |
| Utility Stabilization Reserve | 150.00% of Utility Cost | $488,016 | Cash |
| Operating Expense Reserve | 5.00% of Gross Income | $244,008 | Letter of Credit |
| Annual Replacement Reserve Deposit | 300 Per Unit | $158,400 | Operations |
| Initial Deposit to Repl. Reserve | 750 Per Unit | $396,000 | Cash |
| Construction Inspection Fee | 1500 x months of construction | $22,500 | Letter of Credit |
| Transition Operating Reserve | 0 Lump Sum | $145,000 | Capitalized |

# Sources and Uses

## Parwood Apartments

### SOURCES:

| *Name of Lender / Source* | **Amount** | $ per unit |
|---|---|---|
| CHFA First Mortgage | 31,700,000 | 60,038 |
| CHFA Bridge | 0 | 0 |
| CHFA HAT | 0 | 0 |
| City of Long Beach | 3,000,000 | 5,682 |
| Seller Credit | 132,000 | 250 |
| Cashflow from Operations | 1,960,200 | 3,713 |
| **Total Institutional Financing** | **36,792,200** | **69,682** |
| | | |
| *Equity Financing* | | |
| Tax Credits | 13,729,689 | 26,003 |
| Developer Equity | 195,500 | |
| Deferred Developer Equity | 1,560,000 | 2,955 |
| **Total Equity Financing** | **15,485,189** | **29,328** |
| | | |
| **TOTAL SOURCES** | **52,277,309** | **99,010** |

### USES:

| | | |
|---|---|---|
| Acquisition | 40,699,750 | 77,083 |
| Rehabilitation | 4,582,956 | 8,680 |
| New Construction | 0 | 0 |
| Architectual Fees | 135,000 | 256 |
| Survey and Engineering | 90,000 | 170 |
| Const. Loan Interest & Fees | 616,859 | 1,168 |
| Permanent Financing | 475,500 | 901 |
| Legal Fees | 150,000 | 284 |
| Reserves | 1,273,024 | 2,411 |
| Contract Costs | 16,500 | 31 |
| Construction Contingency | 462,200 | 875 |
| Local Fees | 50,000 | 95 |
| Relocation Costs | 1,755,600 | |
| TCAC/Other Costs | 410,000 | 777 |
| **PROJECT COSTS** | **50,717,389** | **96,056** |
| | | |
| Developer Overhead/Profit | 1,560,000 | 2,955 |
| Consultant/Processing Agent | 0 | 0 |
| | | |
| **TOTAL USES** | **52,277,309** | **99,010** |

# Annual Operating Budget

## Parwood Apartments

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 4,835,808 | 9,159 |
| Laundry | 44,352 | 84 |
| Other Income | 0 | |
| Commercial/Retail | 0 | |
| **Gross Potential Income (GPI)** | 4,880,160 | 9,243 |
| **Less:** | | |
| Vacancy Loss | 443,616 | 840 |
| **Total Net Revenue** | 4,436,544 | 8,403 |
| **EXPENSES:** | | |
| Payroll | 462,350 | 876 |
| Administrative | 210,159 | 398 |
| Utilities | 498,169 | 944 |
| Operating and Maintenance | 332,967 | 631 |
| Insurance and Business Taxes | 137,425 | 260 |
| Taxes and Assessments | 37,262 | 71 |
| Reserve for Replacement Deposits | 158,400 | 300 |
| **Subtotal Operating Expenses** | 1,836,732 | 3,479 |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 1,635,900 | 3,098 |
| **Total Financial** | 1,635,900 | 3,098 |
| **Total Project Expenses** | 3,472,632 | 6,577 |

# Cash Flow

## Parwood Apartments — CHFA # 01-029-S

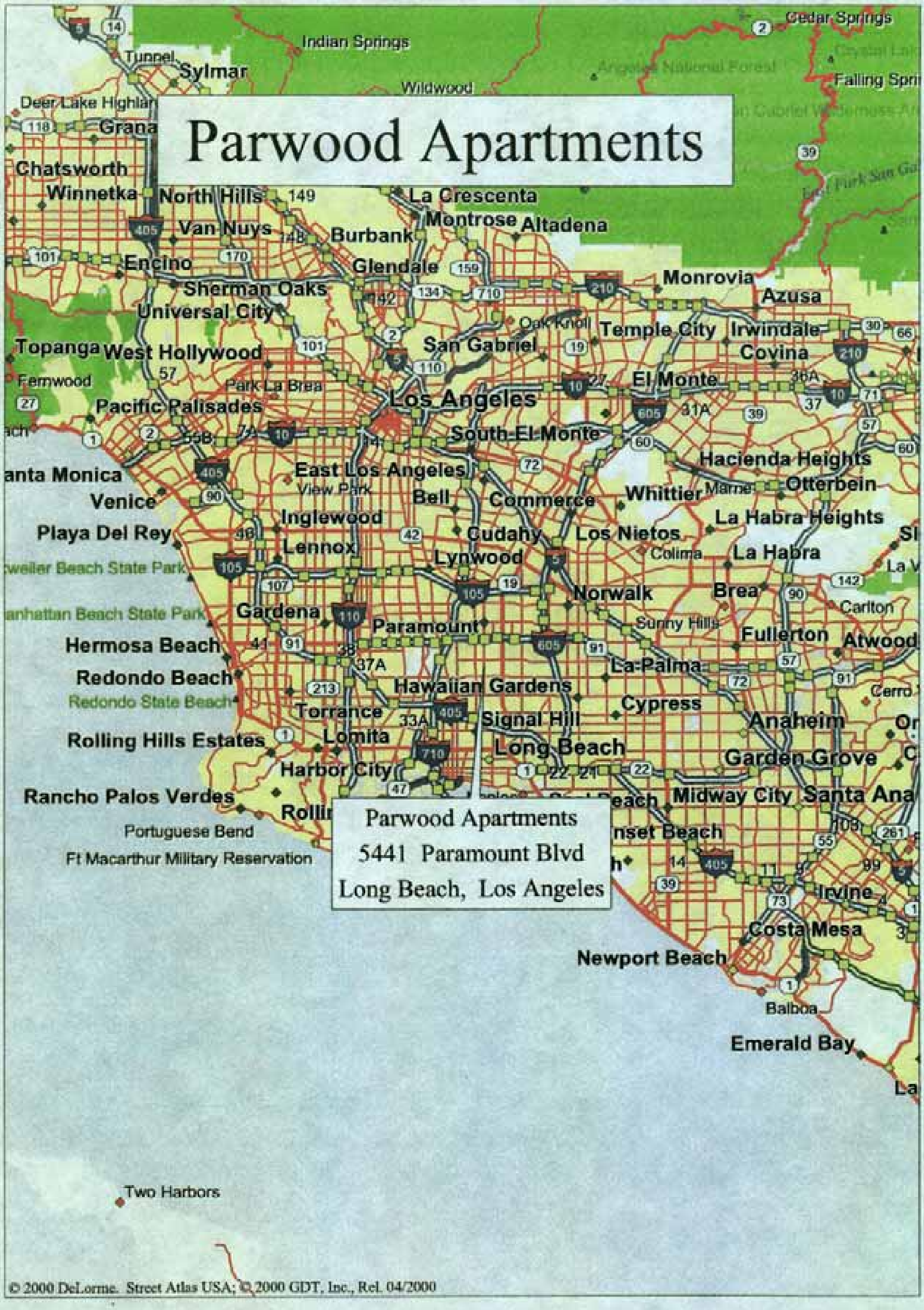
| RENTAL INCOME | Const. | Const. | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Section 8 increase | 1.60% | 1.60% | 1.60% | 1.60% | 1.60% | 1.60% | 1.60% | 1.60% | 1.60% | 1.60% |
| Section 8 Rents - 167 Units | 444,000 | 451,104 | N/A | NIA | NIA | NIA | NIA | NIA | NIA | 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 | 4,391,808 | 4,501,603 | 4,614,143 | 4,729,497 | 4,847,734 | 4,968,928 | 5,093,151 | 5,220,480 | 5,350,992 | 5,484,766 |
| **TOTAL RENTAL INCOME** | **4,835,808** | **4,952,707** | **4,614,143** | **4,729,497** | **4,847,734** | **4,968,928** | **5,093,151** | **5,220,480** | **5,350,992** | **5,484,766** |
| **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 | 44.352 | 45,461 | 46,597 | 47,762 | 48,956 | 50,180 | 51,435 | 52,721 | 54,039 | 55,390 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **44,352** | **45,461** | **46,597** | **47,762** | **48,956** | **50,180** | **51,435** | **52,721** | **54,039** | **55,390** |
| **GROSS INCOME** | **4,880,160** | **4,998,168** | **4,660,741** | **4,777,259** | **4,896,691** | **5,019,108** | **5,144,586** | **5,273,200** | **5,405,030** | **5,540,156** |
| 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 | 10.00% | 10.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy LOSS | 443,616 | 454,706 | 233.037 | 238,863 | 244.835 | 250,955 | 257,229 | 263,660 | 270,252 | 277.008 |
| **EFFECTIVE GROSS INCOME** | **4,436,544** | **4,543,462** | **4,427,704** | **4,538,396** | **4,651,856** | **4,768,152** | **4,887,356** | **5,009,540** | **5,134,779** | **5,263,148** |
| **OPERATING EXPENSES** | | | | | | | | | | |
| Annual Expense Increase | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Expenses | 1,637,926 | 1,703,443 | 1,771,581 | 1,842,444 | 1,916,142 | 1,992,787 | 2,072,499 | 2,155,399 | 2,241,615 | 2,331,279 |
| Replacement Reserve | 0 | 0 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 |
| 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 | 37,262 | 30,007 | 38,767 | 39,543 | 40,334 | 41,140 | 41,963 | 42,802 | 43,658 | 44,532 |
| **TOTAL EXPENSES** | **1,675,188** | **1,741,450** | **1,968,748** | **2,040,387** | **2,114,875** | **2,192,328** | **2,272,862** | **2,356,601** | **2,443,673** | **2,534,211** |
| **NET OPERATING INCOME** | **2.761.356** | **2.802.011** | **2.458.955** | **2.498.009** | **2.536.981** | **2.575.825** | **2.614.494** | **2.652.939** | **2.691.105** | **2.728.937** |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 1,635,900 | 1,635,900 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rehabiltation | 980,100 | 980,100 | | | | | | | | |
| CASH FLOW after debt service | **145,356** | **186,011** | **214,820** | **253,874** | **292,845** | **331,689** | **370,359** | **408,804** | **446,970** | **484,802** |
| **DEBT COVERAGE RATIO** | **1.06** | **1.07** | **1.10** | **1.11** | **1.13** | **1.15** | **1.17** | **1.18** | **1.20** | **1.22** |

# Cash Flow

| RENTAL INCOME | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Section 8 Increase*** | ***1.60%*** | ***1.60%*** | ***1.60%*** | ***1.60%*** | ***1.60%*** | ***1.60%*** | ***1.60%*** | ***1.60%*** | ***1.60%*** | ***1.60%*** |
| Section 8 Rents - 167 Units | NIA | N/A | NIA | NIA | NIA | NIA | NIA | 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 | 5,621,886 | 5,762,433 | 5,906,493 | 6,054,156 | 6,205,510 | 6,360,647 | 6,519,664 | 6,682,655 | 6,849,722 | 7,020,965 |
| TOTAL RENTAL INCOME | **5,621,886** | **5,762,433** | **5,906,493** | **6,054,156** | **6,205,510** | **6,360,647** | **6,519,664** | **6,682,655** | **6,849,722** | **7,020,965** |
| | | | | | | | | | | |
| 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 | 56,774 | 58,194 | 59,649 | 61,140 | 62,668 | 64,235 | 65,841 | 67,487 | 69.174 | 70,903 |
| Other'Income | 0 | 0 | 0 | *0* | *0* | *0* | *0* | 0 | 0 | 0 |
| TOTAL OTHER INCOME | **56,774** | **58,194** | **59,649** | **61,140** | **62,668** | **64,235** | **65,841** | **67,487** | **69,174** | **70,903** |
| | | | | | | | | | | |
| GROSS INCOME | **5,678,660** | 5,820,626 | **5,966,142** | 6,115,296 | 6,268,178 | 6,424,882 | **6,585,504** | 6,750,142 | 6,918,896 | 7,091,868 |
| ***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%* | ***5.00%*** |
| Less: Vacancy Loss | 283,933 | 291,031 | 298,307 | 305,765 | 313,409 | 321,244 | 329,275 | 337,507 | 345,945 | 354,593 |
| EFFECTIVE GROSS INCOME | **5,394,727** | **5,529,595** | **5,667,835** | **5,809,531** | **5,954,769** | **6,103,638** | **6,256,229** | **6,412,635** | **6,572,951** | **6,737,275** |
| | | | | | | | | | | |
| OPERATING EXPENSES | | | | | | | | | | |
| ***Annual Expense Increase*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | *4.00%* | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** | ***4.00%*** |
| Expenses | 2,424,531 | 2,521,512 | 2,622,372 | 2,727,267 | 2,836,358 | 2,949,812 | 3,067,805 | 3,190,517 | 3,318;138 | 3,450,863 |
| Replacement Reserve | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 |
| ***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 | 45,422 | 46,331 | 47,257 | 48,202 | 49,166 | 50.150 | 51.153 | 52,176 | 53,219 | 54,284 |
| TOTAL EXPENSES | **2,628,353** | **2,726,242** | **2,828,030** | **2,933,870** | **3,043,924** | **3,158,362** | **3,277,357** | **3,401,093** | **3,529,757** | **3,663,547** |
| | | | | | | | | | | |
| NET OPERATING INCOME | **2,766,374** | **2,803,353** | **2,839,805** | **2,875,661** | **2,910,845** | **2,945,276** | **2,978,872** | **3,011,542** | **3,043,194** | **3,073,728** |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loan | 0 | 0 | 0 | *0* | *0* | *0* | *0* | 0 | 0 | 0 |
| **Rehabiltation** | | | | | | | | | | |
| CASH FLOW **after debt service** | **522,239** | **559,217** | **595,670** | **631,526** | **666,709** | **701.141** | **734,736** | **767,407** | **799,059** | **829,593** |
| DEBT COVERAGE RATIO | **1.23** | **1.25** | **1.27** | **1.28** | **1.30** | **1.31** | **1.33** | **1.34** | **1.36** | **1.37** |

# Cash Flow

| RENTAL INCOME | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Section 8 Increase*** | ***1.60%*** | ***1.60%*** | *1.60%* | ***1.60%*** | *1.60%* | ***1.60%*** | ***1.60%*** | 1.60% | 1.60% | *1.60%* |
| Section 8 Rents - 167 Units | NIA | N/A | N/A | NIA | NIA | NIA | N/A | NIA | NIA | 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 | 7,196,489 | 7,376,401 | 7,560,811 | 7,749,831 | 7,943,577 | 8,142,167 | 8,345,721 | 8,554,364 | 8,768,223 | 8,987,428 |
| **TOTAL RENTAL INCOME** | **7,196,489** | **7,376,401** | **7,560,811** | **7,749,831** | **7,943,577** | **8,142,167** | **8,345,721** | **8,554,364** | **8,768,223** | **8,987,428** |
| | | | | | | | | | | |
| **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 | 72,676 | 74,493 | 76,355 | 78.264 | 80,221 | 82,226 | 84,282 | 86,389 | 88,549 | 90.762 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** | **0** |
| **TOTAL OTHER INCOME** | **72,676** | **74,493** | **76,355** | **78,264** | **80,221** | **82,226** | **84,282** | **86,389** | **88,549** | **90,762** |
| | | | | | | | | | | |
| **GROSS INCOME** | **7,269,165** | **7,450,894** | **7,637,166** | **7,828,095** | **8,023,798** | **8,224,393** | **8,430,002** | **8,640,753** | **8,856,771** | **9,078,191** |
| ***Vacancy Rate : Marker*** | ***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 | 363,458 | 372,545 | 381,858 | 391,405 | 401,190 | 411,220 | 421,500 | 432,038 | 442,839 | 453,910 |
| **EFFECTIVE GROSS INCOME** | **6,905,706** | **7,078,349** | **7,255,308** | **7,436,691** | **7,622,608** | **7,813,173** | **8,008,502** | **8,208,715** | **8,413,933** | **8,624,281** |
| | | | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | | | |
| ***Annual Expense Increase*** | ***4.00%*** | ***4.00%*** | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 3,588,898 | 3,732,453 | 3,881,752 | 4,037,022 | 4,198,503 | 4,366,443 | 4,541,100 | 4,722,744 | 4,911,654 | 5,108,120 |
| Replacement Reserve | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158,400 | 158.400 | 158.400 | 158,400 | 158,400 |
| ***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 | 55,369 | 56,477 | 57,606 | 58.758 | 59,934 | 61,132 | 62,355 | 63,602 | 64,874 | 66,172 |
| **TOTAL EXPENSES** | **3,802,667** | **3,947,330** | **4,097,758** | **4,254,180** | **4,416,836** | **4,585,975** | **4,761,855** | **4,944,746** | **5,134,928** | **5,332,692** |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | **3,103,040** | **3,131,019** | **3,157,550** | **3,182,510** | **3,205,772** | **3,227,198** | **3,246,647** | **3,263,969** | **3,279,005** | **3,291,589** |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - **1st Mortgage** | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 | 2,244,135 |
| CHFA - Bridge **Loan** | | | | | | | | | | |
| CHFA - HAT Loan | 0 | 0 | 0 | **0** | **0** | **0** | **0** | 0 | 0 | 0 |
| Rehabiltation | | | | | | | | | | |
| CASH FLOW after **debt service** | **858,904** | **886,884** | **913,415** | **938,375** | **961,636** | **983,063** | **1,002,512** | **1,019,833** | **1,034,869** | **1,047,454** |
| **DEBT COVERAGE RATIO** | **1.38** | **1.40** | **1.41** | **1.42** | **1.43** | **1.44** | **1.45** | **1.45** | **1.46** | **1.47** |


Parwood Apartments
Parwood Apartments
5441 Paramount Blvd
Long Beach, Los Angeles
Indian Springs
Sylmar
Wildwood
Cedar Springs
Falling Spri
Deer Lake Highlan
Grana
Chatsworth
Winnetka
North Hills
La Crescenta
Montrose
Altadena
Van Nuys
Burbank
Encino
Glendale
Sherman Oaks
Monrovia
Azusa
Universal City
Temple City
Irwindale
Topanga
West Hollywood
San Gabriel
Covina
Fernwood
Park La Brea
El Monte
Pacific Palisades
Los Angeles
South El Monte
anta Monica
East Los Angeles
Hacienda Heights
View Park
Otterbein
Venice
Bell
Commerce
Whittier
Inglewood
La Habra Heights
Playa Del Rey
Cudahy
Los Nietos
Lennox
Colima
La Habra
Lynwood
Norwalk
Brea
Gardena
Carlton
Paramount
Sunny Hills
Fullerton
Atwood
Hermosa Beach
La Palma
Redondo Beach
Hawaiian Gardens
Redondo State Beach
Cypress
Torrance
Signal Hill
Anaheim
Rolling Hills Estates
Lomita
Long Beach
Garden Grove
Harbor City
Rancho Palos Verdes
Midway City
Santa Ana
Portuguese Bend
Ft Macarthur Military Reservation
Irvine
Costa Mesa
Newport Beach
Balboa
Emerald Bay
Two Harbors
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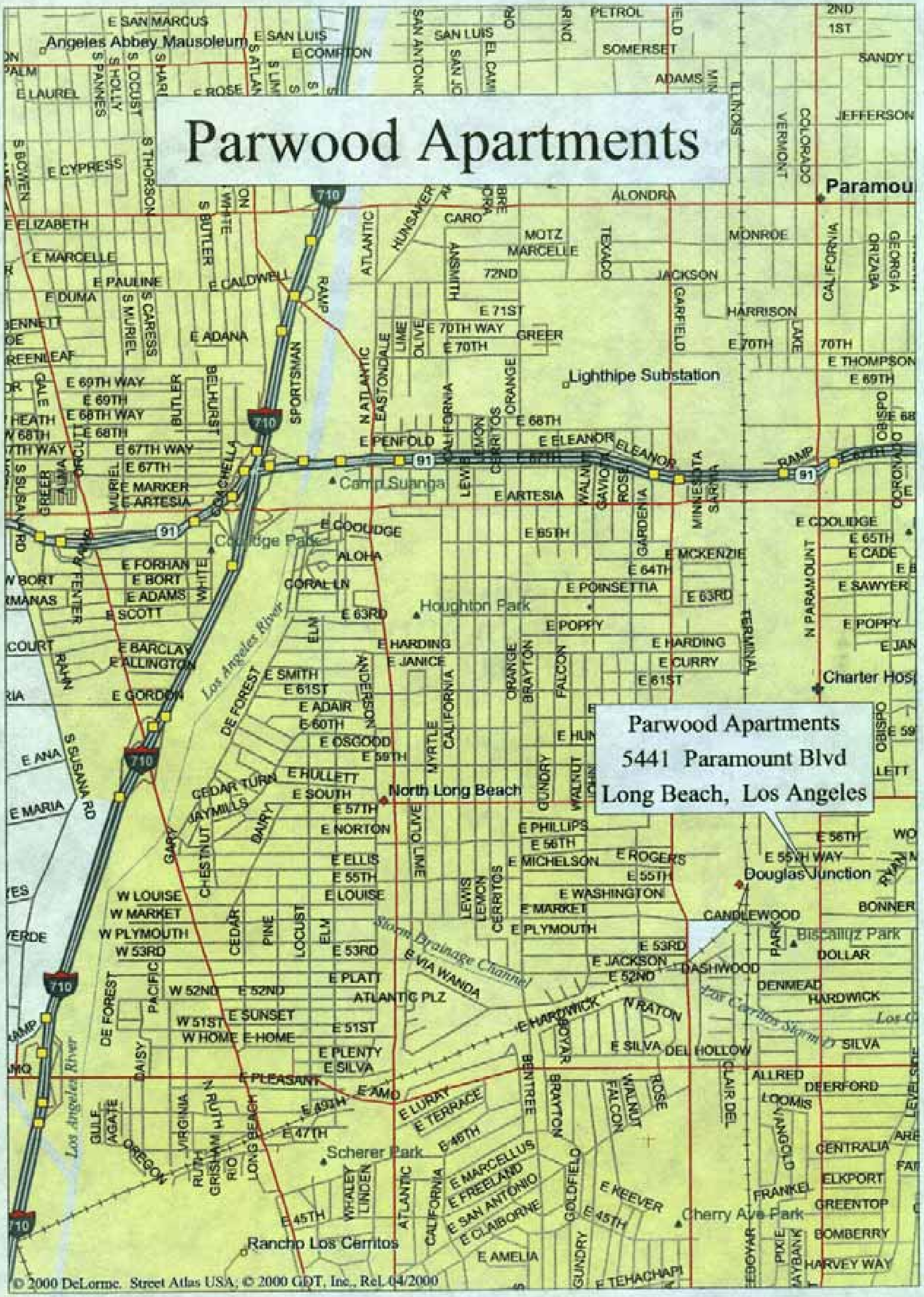
Parwood Apartments
Parwood Apartments
5441 Paramount Blvd
Long Beach, Los Angeles
Angeles Abbey Mausoleum
Lighthipe Substation
Camp Suanga
Coolidge Park
Houghton Park
North Long Beach
Charter Hosp
Douglas Junction
Bisciallluz Park
Los Angeles River
Storm Drainage Channel
Los Cerritos Storm D
Scherer Park
Cherry Ave Park
Rancho Los Cerritos
ALONDRA
ARTESIA
ATLANTIC
PARAMOUNT
SPORTSMAN
E 70TH
E SOUTH
E MARKET
E PLEASANT
E CARSON
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# RESOLUTION 01-23

## RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Related Companies of California (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 528-unit multifamily housing development located in the City of Long Beach to be known as Parwood Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 7, 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 May 24, 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 | MORTGAGE AMOUNTS |
|---|---|---|---|
| 01-029-S | Parwood Apartments<br>Long Beach/Los Angeles | 528 | $31,700,000 |

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

85 34769

2. 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 increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

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

1 hereby certify that this is a true and correct copy of Resolution 01-23 adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento, California.

ATTEST:_______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

**Final Commitment**
**Redwood Oaks Apartments**
**CHFA Ln. # 99-019-N**

## SUMMARY:

This is a Final Commitment request for two loans; a first mortgage in the amount of $1,605,000 at 5.70%, amortized over thirty years and a bridge loan in the amount of $1,045,000 at 5.70% for one year. The project is Redwood Oaks Apartments, a 36-unit, family, acquisition/rehabilitation preservation project located at 330-340 Redwood Avenue, Redwood City, San Mateo County.

## LOAN TERMS:

| | |
|---|---|
| **1st Mortgage Amount**: | $1,605,000 |
| Interest Rate: | 5.70% |
| Term: | 30 year fixed, fully amortized |
| Financing: | Tax-Exempt |
| | |
| **Bridge Mortgage Amount:** | $1,045,000 |
| Interest Rate: | 5.70% |
| Term: | 1 year |
| Financing: | Tax-Exempt |

## LOCALITY INVOLVEMENT:

The borrower has received $153,144 in HOME funds at 3.0% for thirty years from Redwood City and $250,000 in HOME funds at 3.0% for fifty-five years from the County of San Mateo, Human Services Agency Office of Housing.

In addition. the borrower was awarded $1,020,000 from Housing and Community Development's MHP program for fifty-five years. HAND, an affiliate of the sponsor, is contributing $400,000.

**FINANCING:**

There is currently a project based Section 8 contract on the project that has expired and is being renewed on an annual basis. The income from Section **8** was not counted in the CHFA financial analysis. Given the size of the project and the strong rental market, we are not requiring a transition account. In addition, the four affordable units at **20%** of SMI are allocated to special needs tenants.

**PROJECT DESCRIPTION:**

**A. Site Design**

The project is zoned RC-4, or Multi-Family-Medium Density and conformed to the zoning requirement in place at the time the project was completed. Under current zoning regulations, 22 units could be constructed. The project is a legal, nonconforming use.

**B. Project Description**

The project is a two-story project in four garden-style buildings containing a total of 36-units. The project is wood framed with wood balconies and stucco exterior facade with a central asphalt driveway. Improvements include tuck under parking on the ground level, a swimming pool and two laundry rooms.

There are two two-bedroom, one-bath units that are 735 sq. ft. in size and thirty-four one-bedroom, one-bath units that are approximately 525 sq. ft. in size.

**C. Rehabilitation Work and Improvements**

The estimated cost of rehabilitation is $909,692 or $25,269 per unit. To date $222,284 or $6,175 per unit has been expended in 19 bathroom renovations, new roofs for the project, the remodel of two kitchen units, electrical repair and fumigation. The scope **of** all the rehabilitation work is based on the Physical Needs Assessment and on a seismic risk assessment. The rehabilitation work includes:

- Paint the exterior buildings
- Replace and repairs roofs and eaves
- Replace existing windows
- Seismic retrofit strengthening
- Subsurface drainage repair in parking lot

- New carpet and vinyl in units
- New front doors of units
- New kitchen cabinets, countertops and appliances
- New tub/shower surrounds and drywall, new vanities, faucets and toilets
- Improve exterior lighting and interior lighting in the units.
- Add a fire alarm system to each building
- Add GFCI outlets in units
- Replace waterheaters
- Asbestos abatement

**D. Relocation**

Some relocation is expected due to the extensive nature of the rehabilitation and $200,000 has been set aside to cover these costs. The borrower will hire a specialist to ensure compliance with the Uniform Relocation Act.

**E. Project Location**

The project is located along Redwood Avenue in a neighborhood defined by El Camino Real to the northeast, the Woodside Expressway to the east, Jefferson Avenue to the northwest and Valota Road to the south. The neighborhood consists of small to medium multifamily units interspersed with single-family residence. Heading further south, the neighborhood transitions from multifamily to mostly single-family homes, built between 1920 and 1940.

**MARKET:**

**A. Market Overview**

The site is located in the county of San Mateo, one of nine counties in the greater San Francisco Bay area. Urban development is concentrated on the eastern side of the coastal hills, with residential uses 'in the foothill area and commercial/industrial uses in the corridor around U. S. 101.

The population of the Bay Area and San Mateo county have been growing at a slower rate that the state average due to the built-out nature of many portions of the region. With the economic growth sparked by technology related fields, there was an increase, from 1995-2000 in the county population from 649,623 to 687,500 (1%) and in Redwood City from 94,800 to 104,100 (1.9%).

Transportation, communications and utilities are strong job growth areas due to the expansion of BART and the increased presence of businesses in cellular type technologies and alternative communication methods. Good employment growth has occurred over the past five year, and San Mateo County's economy is expected to show modest gains through the year 2010. The mean household income in San Mateo County for **2000** is estimated at **$88.700.** According to the City of Redwood City, California Consolidated Plan **2000-2005** Consolidated Plan Summary ("the Plan") the average single-home price in Redwood City as of March **2000** was **$655,000.** The unemployment rate for Redwood City is 1.3% and for San Mateo County is 1.5% as of April **2000.**

## B. Market Demand

According to the Plan, the vacancy rate for Redwood City was **2.5%** in **1999.** In **2000,** the vacancy rate in Redwood City fell below .5%. In addition, rental rates in the Redwood City area increased **61%** in the ten years between 1990 and **2000,** from **$731 to $1,200.** According to the Rosen Consulting Group, San Mateo and San Francisco County are two of the most undersupplied areas for apartment housing in the Bay Area.

There are approximately **6.71**1 renter households in Redwood City of which **76%** are low-income households. According to the Plan, it is estimated that **40%** of these households may be paying approximately **60%** or more of their income for housing. The greatest rental housing need is for extremely low and very low-income families. Small families are more impacted by the cost of housing in Redwood City **(34%)** than are large families (12%). To reduce the cost of housing multiple small families are living together or large families are occupying small unite in order to obtain housing and afford housing.

There are **439** affordable assisted housing units in Redwood City of which **381** are rental units. Of these rental units, **164** are family units assisted by the City or Redevelopment Agency or financed with HUD funds. While **47%** of low-income renters are family households, only **43%** of assisted units accommodate family households.

## C. Housing Supply

The primary market area for the project is Redwood City. The properties surveyed in this area report no standing inventory and minimal turnover. The growth in multi-family housing stock in San Mateo County has been limited to renovations of existing apartment projects, with just a handful of new projects. The Association of Bay Area Governments projects that an additional **2,544** housing units are needed for all income levels from 2001 through **2006.** Of this total **534** (21%) are needed for very low-income households, **256** (10%) for low-income and 660 **(25%)** for moderate income.

The majority of the apartment units in Redwood City are one and two-bedroom units built in the **1950s** and **1960s.** The Plan identifies the following barriers to the construction of affordable housing in Redwood City: land costs, zoning that is more restrictive than current standards used in other communities; high parking ratio requirements; the cost of City imposed fees and planning, engineering and architectural design requirements; fire codes requiring sprinklers for multifamily dwellings.

There are no public housing units owned by the San Mateo County Housing Authority. There are **164** family rental units that are categorized as assisted housing in Redwood City.

**PROJECT FEASIBILITY:**

**A. Rent Differentials ( Market vs. restricted vs. Section 8)**

| Rent Level | Subject Project | Section 8 Rents | Mkt.Rate Avg. | Difference | % of Market |
|---|---|---|---|---|---|
| **One Bedroom** | | $875 | $950 | | |
| **20%** | $162 | | | $788 | 17% |
| **35%** | $318 | | | $632 | 33% |
| **60%** | $796 | | | **$153** | 84% |
| | | | | | |
| **Two Bedroom** | | $1,100 | $1,050 | | |
| 50% | $785 | | | $265 | 75% |
| | | | | | |

**B. Estimated Lease-Up Period**

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

**OCCUPANCY RESTRICTIONS:**

CHFA: 20% of the units (7) will be restricted to 50% or less of median income.

HCD/MHP: 11% of the units **(4)** will be restricted to 20% or less of state median income.

TCAC: 100%(35) of the units will be restricted to 60% or less of median income.

**ENVIRONMENTAL:**

Phase Environmental Assessment Report that included an asbestos and lead based paint analysis was completed in April 1999 by Phase One Inc. and updated on January 31, 2001. The identified contained asbestos in some drywall and in the vinyl flooring and mastic. It also recommended a test for lead in the water. The updated report recommended asbestos remediation measures be taken during rehab due to positive tests for asbestos and completed the water test for lead which had no adverse findings.

Phase One completed an Asbestos-Containing Building Material Operation and Maintenance Program on January 31, 2001 for the non-friable asbestos in the vinyl flooring and mastic. An O & M Plan is now in place for these items. In addition, a separate asbestos report on the drywall and joint compound was completed by Preferred Associates on March 21,2001 and showed no adverse findings.

A seismic report was completed by URS on March 30, 2000 and found that the project's damage ratio would exceed CHFA's guidelines. The scope of the rehabilitation work incorporates the work needed to reduce the seismic damage ratio to a level consistent with the Agency's requirements.

**ARTICLE 34:**

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

**DEVELOPMENT TEAM:**

**A. Borrower's profile**

The project will be owned by a to be formed limited partnership with Human Investment Project, Inc. ("HIP") as the general partner. HIP was founded in 1972 and serves primarily low and very low income persons with a special emphasis on those with special needs. HIP's portfolio includes 11 projects with a total of 191 units. Of those two projects totaling 110 units, have had permanent financing provided by CHFA.

**B. Contractor**

Precision General Commercial Contractors, Inc. ("Precision") is the contractor that provided the bids for the rehabilitation work and the structural work required for seismic strengthening. Precision is a national construction company with offices in Texas, Missouri and California. They specialize in the construction and rehabilitation of apartment building, including affordable housing. They are the contractor on several other rehabilitation projects being reviewed by CHFA and on Playa del Alameda that recently completed their rehabilitation work.

**C. Architect**

Dianne R. Whitaker Architect was hired to oversee the rehabilitation of the project and has also addressed some minor design issues. Dianne R. Whitaker Architect has been a licensed .architect since 1983 and provides full service architectural services.

**D. Management Agent**

HIP manages all of the projects they develop.

# Project Summary

Date: 6-Jun-01

## Project Profile:

*Project:* Redwood Oaks
*Location:* 330-340 Redwood Avenue
Redwood City
*County/Zip:* San Mateo 94061
*Borrower:* Redwood Oaks Associates
*GP:* HIP. Inc.
*LP:* HAND. Inc.

*Program:* Tax Exempt
*CHFA #:* 99-019-N

*Appraiser:* Walter L. Ricci, MAI
Hamilton, Ricci & Associates
*Cap Rate:* 8.00%
*As Is* $ 2,870,000
*As Repaired* $ 3,570.000
*Final Value:* $ 3,570,000

*LTC/LTV:*
*Loan/Cost* 31.9%
*Loan/Value* 45.0%

## Project Description:

| | |
|---|---|
| *Units* | 36 |
| *Handicap Units* | N/A |
| *Bldge Type* | Rehab/Refi |
| *Buildings* | 6 |
| *Stories* | 2 |
| *Gross Sy Ft* | 32.760 |
| *Land Sy Ft* | 19.516 |
| *Units/Acre* | 80 |
| *Total Parking* | 36 |
| *Covered Parking* | 36 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $1,605,000 | $44,583 | 5.70% | 30 |
| Redwood City HOME | $153.144 | $4,253 | 3.00% | 30 |
| County of San Mateo HOME | $250.000 | $6,944 | 3.00% | 55 |
| MHP | $1,020,000 | $28.333 | 0.00% | 55 |
| Sponsor Equity | $85,000 | $2.361 | | |
| HASD Contribution | $400,000 | $11.111 | | |
| Tax Credit Equity | $1,300.895 | $36.136 | | |
| Deferred Developer Fee | $217.831 | $6.051 | | |
| CHFA Bndge | $1,045.000 | $29,028 | 5.70% | 1 |
| CHFA HAT | $0 | $0 | 0.00% | - |

## Unit Mix:

| Type | Size | Number | AMI/SMI | Rent | Max Income |
|---|---|---|---|---|---|
| 1 BR | 525 | 4 | 20% | $162 | $12.820 |
| 1 BR | 525 | 7 | 35% | $318 | $22,435 |
| 1 BR | 525 | 23 | 60% | $796 | $38,460 |
| 2 BR | 735 | 1 | 50% | $785 | $36.050 |
| 2 BR | 735 | 1 | Manager | $785 | N/A |
| | | 36 | | | |

## Fees, Escrows and Reserves:

| Escrows | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | $26.500 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $26,500 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $26,500 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $27,562 | Letter of Credit |
| Utility Stabilization Reserve | 150.009 | Utility Costs | $12,224 | Letter of Credit |
| Construction Defects Security Agreement | 2.50% | of Rehab Costs | $17,185 | Letter of Credit |
| Annual Replacement Reserve Deposit | $310 | Per Unit | $11.160 | Operations |
| Initial Deposit to Repl. Reserve | $500 | Per Unit | $18.000 | Cash |

# Sources and Uses

## Redwood Oaks

### SOURCES:

| *Name of Lender / Source* | **Amount** | $per unit |
|---|---|---|
| CHFA First Mortgage | 1,605,000 | 44,583 |
| CHFA Bridge | 0 | 0 |
| Redwood City HOME | 153,144 | 4,254 |
| HCD MHP | 1,020,000 | 28,333 |
| County of San Mateo HOME | 250,000 | 6,944 |
| HAND/Sponsor Contributions | 485,000 | 13,472 |
| **Total Institutional Financing** | **3,513,144** | **97,587** |
| | | |
| *Equity Financing* | | |
| Tax Credits | 1,300,895 | **36,136** |
| Deferred Developer Equity | 217,831 | **6,051** |
| **Total Equity Financing** | **1,518,726** | **42,187** |
| | | |
| **TOTAL SOURCES** | **5,031,870** | **139,774** |

### USES:

| | | |
|---|---|---|
| Acquisition | 2,881,579 | 80,044 |
| Rehabilitation | 994,530 | 27,626 |
| New Construction | 0 | 0 |
| Architectual Fees | 26,880 | 747 |
| Survey and Engineering | 32,200 | 894 |
| Const. Loan Interest & Fees | 59,300 | 1,647 |
| Permanent Financing | 125,320 | 3,481 |
| Legal Fees | 18,000 | ***500*** |
| Reserves | 57,785 | 1,605 |
| Contract Costs | 9,500 | 264 |
| Construction Contingency | 98,700 | 2,742 |
| Local Fees | **5,000** | 139 |
| TCAC/Other Costs | 233,447 | 6,485 |
| **PROJECT COSTS** | **4,542,251** | **126,174** |
| | | |
| Developer Overhead/Profit | 454,619 | 12,628 |
| Consultant/Processing Agent | 35,000 | 972 |
| | | |
| **TOTAL USES** | **5,031,870** | **139,774** |

# Annual Operating Budget

## Redwood Oaks

| INCOME: | Amount | $ per unit |
|---|---|---|
| Total Rental Income | 273,024 | 7,584 |
| Laundry | 2,592 | 72 |
| Other Income | 0 | |
| Commercial/Retail | 0 | |
| **Gross Potential income (GPI)** | **275,616** | **7,656** |
| **Less:** | | |
| Vacancy **Loss** | 13,781 | 383 |
| **Total Net Revenue** | **261,835** | **7,273** |

| EXPENSES: | | |
|---|---|---|
| Payroll | 33,678 | 936 |
| Administrative | 29,9 10 | 831 |
| Utilities | 18,928 | 526 |
| Operating and Maintenance | 33.966 | 933 |
| Insurance and Business Taxes | 10,797 | 300 |
| Taxes and Assessments | 800 | 22 |
| Reserve for Replacement Deposits | 11,160 | 310 |
| **Subtotal Operating Expenses** | **139,239** | **3,868** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 111,785 | 3,105 |
| **Total Financial** | **111,785** | **3,105** |
| **Total Project Expenses** | **251,024** | **6,973** |

# Cash Flow

Redwood Oaks CHFA # 00-016-N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Market Rent Increase*** | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| **Market Rents** | 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 | 273,024 | 279,850 | 286,846 | 294.017 | 301,367 | 308,902 | 316.624 | 324.540 | 112.651 | 340.970 |
| TOTAL RENTAL INCOME | 273,024 | 279.850 | 286,846 | 294,017 | 301,367 | 308,902 | 316,624 | 324,540 | 332,653 | 340,970 |
| | | | | | | | | | | |
| 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** | 2.592 | 2,657 | 2.723 | 2.701 | 2,861 | 2,933 | 3,006 | 3,081 | 2.158 | 3,237 |
| Commercial | NIA | NIA | NIA | NIA | NIA | N/A | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | 2,592 | 2,657 | 2,723 | 2,791 | 2,861 | 2.933 | 3,006 | 3,081 | 3,158 | 3,237 |
| | | | | | | | | | | |
| GROSS INCOME | 275,616 | 282,506 | 289.569 | 296,808 | 304,229 | 311.834 | 319,630 | 327.621 | 335.811 | 344,207 |
| | | | | | | | | | | |
| ***Vacancy Rate : Market*** | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| ***Vacancy Rate : Affordable*** | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less Vacancy **Loss** | 13,781 | 14.125 | 14,478 | 14,840 | 15.211 | 15,592 | 15,982 | 16,381 | 16.791 | 17.210 |
| EFFECTIVE **GROSS** INCOME | 261,835 | 268,381 | 275,091 | 281,968 | 289,017 | 296,243 | 303,649 | 311,240 | 319,021 | 326,996 |
| | | | | | | | | | | |
| OPERATING EXPENSFS | | | | | | | | | | |
| ***Annual Expense Increase*** | 4.00% | 4.00% | 4.00% | 4.00% | J 00% | J 00% | J 00% | 4.00% | 4.00% | 4.00% |
| Expenses | 127,279 | 132.170 | 137,665 | 143,171 | 148.898 | 154,854 | 161.048 | 167.490 | 174.190 | 181,158 |
| **MHP Fee** | 4,001 | 4.001 | 4,001 | 4,001 | 4,001 | 4,001 | 4,001 | 4.001 | 4,001 | 4,001 |
| **Replacement Reserve** | 11,160 | 11.160 | 11,160 | 11,160 | 11.160 | 11,718 | 11,718 | 11.718 | 11,718 | 11,718 |
| ***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 | 800 | 816 | 822 | x49 | 866 | 883 | 901 | 919 | 937 | 956 |
| TOTAL EXPENSES | 143.240 | 148,347 | 153,658 | 159,181 | 164.925 | 171,457 | 177,668 | 184,128 | 190,846 | 197,833 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 118,595 | 120,034 | 121,432 | 122,786 | 124,092 | 124,786 | 125,980 | 127.111 | 128,174 | 129,164 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - **1st Mortgage** | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 |
| CHFA - Bridge Loan | 1.104.565 | 0 | 0 | 0 | 0 | | | | | |
| **CASH FLOW after debt service** | 6,810 | 8,249 | 9.647 | 11,001 | 12,307 | 13,001 | 14,195 | 15,326 | 16,389 | 17,379 |
| DEBT COVERAGE RATIO | 1.06 | 1.07 | 1.09 | 1.10 | 1.11 | 1.12 | 1.13 | 1.14 | 1.15 | 1.16 |

# 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** | 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** | 349.494 | 358.231 | 367. Ix7 | 376.367 | 385,776 | 305.420 | 405,306 | 415,438 | 425,824 | 436.470 |
| TOTAL RENTAL INCOME | 349,494 | 358,231 | 367,187 | 376.367 | 385,776 | 395,420 | 405,306 | 415,438 | 425,824 | 436,470 |
| | | | | | | | | | | |
| 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 | 3.318 | 3.40 I | 3.486 | 3.573 | 3,662 | 3.754 | 3.848 | 3.944 | 4.043 | 4.144 |
| **Commercial** | NIA | N/A | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | 3,318 | 3,401 | 3,486 | 3.573 | 3.662 | 3,754 | 3,141 | 3.944 | 4.043 | 4,144 |
| | | | | | | | | | | |
| **GROSS** INCOME | 352,812 | 361.632 | 370,673 | 379.940 | 3119,431 | 399,174 | 409,154 | 419,382 | 429.167 | 440,614 |
| | | | | | | | | | | |
| *Vacancy Rate : Market* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| *Vacancy Rate : Affordable* | 5 00% | 5 00% | 5 00% | 5 00% | 5 00% | 5 00% | 5 00% | 5 00% | 5 00% | 5 00% |
| Less: Vacancy Loss | 17.641 | 18,082 | 18,534 | 18,997 | 19,472 | 19,959 | 20.458 | 20,969 | 21,493 | 22.03 I |
| EFFECTIVE **GROSS** INCOME | 335,17I | 343,550 | 352,139 | 360.943 | 369.966 | 379.215 | 388,696 | 398,413 | 408.574 | 418,583 |
| | | | | | | | | | | |
| **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 | 188.404 | 195,940 | 203,778 | 211,929 | 220.406 | 229.222 | 238,39 I | 247,927 | 257,844 | 268,IS7 |
| MHP Fee • | 4.001 | 4,001 | 4,001 | 4,001 | 4,001 | 4.00 I | 4,001 | 4,00 I | 4,001 | 4,001 |
| Replacement Reserve | 12,304 | 12,304 | 12,304 | 12,304 | 12,304 | 12,304 | 12.919 | 12.919 | 12,919 | 12,919 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2. 0 % | 2.00% | 2.00% | 2.00%. | 2.00% |
| Taxes and Assessments | 975 | 995 | 1,015 | 1,035 | 1,056 | 1,077 | 1,098 | 1.120 | 1.143 | 1,165 |
| TOTAL EXPENSES | 205,6114 | 213.240 | 221,097 | 229,269 | 237,766 | 246,604 | 256.409 | 265.967 | 275,906 | 216,243 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 129,417 | 130,31I | 131,042 | 131,674 | 132,200 | 132,612 | 132,287 | 132.446 | 132.467 | 132,340 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CASH FLOW after debt service | 17,702 | 18,526 | 19,257 | 19,889 | 20.415 | 20.127 | 20,501 | 20.661 | 20,612 | 20,555 |
| DEBT COVERAGE RATIO | 1.16 | 1.17 | 1.17 | 1.18 | 1.18 | 1.19 | 1.11 | 1.18 | 1.19 | 1.18 |

## Cash Flow

| RENTAL INCOME | Year 21 | Year 22 | Year 23 | Yrar 24 | Year 25 | Yrar 26 | Year 27 | Year 21 | 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 | 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 | 447.382 | 458,566 | 470,030 | 481,781 | 493,826 | 506,171 | 518.826 | 531,796 | 545,091 | 558,718 |
| **TOTAL** RENTAL INCOME | 447.312 | 4511,566 | 470.0.30 | 481,781 | 493,826 | 506,171 | 511,826 | 531,796 | 545,091 | 551,718 |
| OTHER INCOME | | | | | | | | | | |
| *Other Income Increase* | 2 50% | 2 50% | 2 SOX | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% |
| Laundry | 4.247 | 4,353 | 4,462 | 4.574 | 4,688 | 4,805 | 4.926 | 5,049 | 5,175 | 5.304 |
| Comincrcial | N/A | NIA | NIA | N/A | NIA | NIA | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | ' 4,247 | 4,353 | 4,462 | 4,574 | 4.611 | 4.805 | 4.926 | 5,049 | 5,175 | 5,304 |
| **CROSS** INCOME | 451,629 | 462,920 | 474,493 | 416,355 | 498,514 | 510,977 | 523,751 | 536,845 | 550,266 | 564,023 |
| *Vacancy Rate : Market* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| *Vacancy Rate : Affordable* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 22.58 I | 21,146 | 23.725 | 243 18 | 24,926 | 25.549 | 26, 188 | 26.842 | 27.5 13 | 28,201 |
| EFFECTIVE GROSS INCOME | 429,047 | 439,774 | 450,768 | 462,037 | 473,588 | 485,421 | 497,564 | 510,003 | 522,753 | 535,822 |
| **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 | 278.1184 | 290,039 | 301,641 | 313,706 | 326.155 | 339,305 | 352.877 | 366,992 | 381,672 | 396,939 |
| MHP Fee | 4,001 | 4,001 | 4,001 | 4,001 | 4,001 | 4,001 | 4,001 | 4,001 | 4,001 | 4,001 |
| Replacement Reserve | 12,919 | 12,919 | 13,565 | 13.565 | 13,565 | 13,565 | 13,565 | 13,565 | 14.243 | 14.243 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 1,189 | 1,213 | 1,237 | 1,262 | 1,287 | 1,312 | 1.339 | 1,366 | 1,393 | 1,421 |
| TOTAL EXPENSFS | 296,993 | 301.172 | 320.443 | 332,534 | M5.107 | 358,183 | 371,782 | 385,924 | 401,309 | 416,604 |
| NET OPERATING INCOME | 132.055 | 131.602 | 130,325 | 129,503 | 128,481 | 127,245 | 125.712 | 124,079 | 121,444 | 119,218 |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 111,785 | 111,785 | 11 1,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 | 111,785 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CASH FLOW after debt service | 20,270 | 19,117 | 18,539 | 17,718 | 16,696 | 15,459 | 13,997 | 12,294 | 9,659 | 7,433 |
| DEBT COVERAGE RATIO | 1.18 | 1.18 | 1.17 | 1.16 | 1.15 | 1.14 | 1.13 | 1.11 | 1.09 | 1.07 |


Redwood Oaks Apartments
Redwood Oaks Apartments
330 Redwood Avenue
Redwood City, San Mateo
San Francisco
Maritime Reservation
Ft Funston Military Reservation
Hunter'S Point Naval Shipyard
OAK
Mulford Gardens
Daly City
Ashland
San Lorenzo
South San Francisco
Russell City
Mt Eden
Pacifica
SFO
Vallemar
Baumberg
Millbrae Meadows
Millbrae
Alvarado
San Pedro Valley
Sanchez Adobe
Alameda Creek
Hillsborough
Hayward Park
Foster City
Belmont
Belle Monte
El Granada
Miramar
Redwood City
Henderson
Half Moo
Atherton
Palo Alto
San Mateo
Woodside
Adobe Corner
Grabtown
Stanford
Ladera
Neal
Mountain View
Tunitas
Sky Londa
Los Altos
Portola Valley
Los Trancos Woods
Shotgun Bend
San Gregorio Creek
Redwood Terrace
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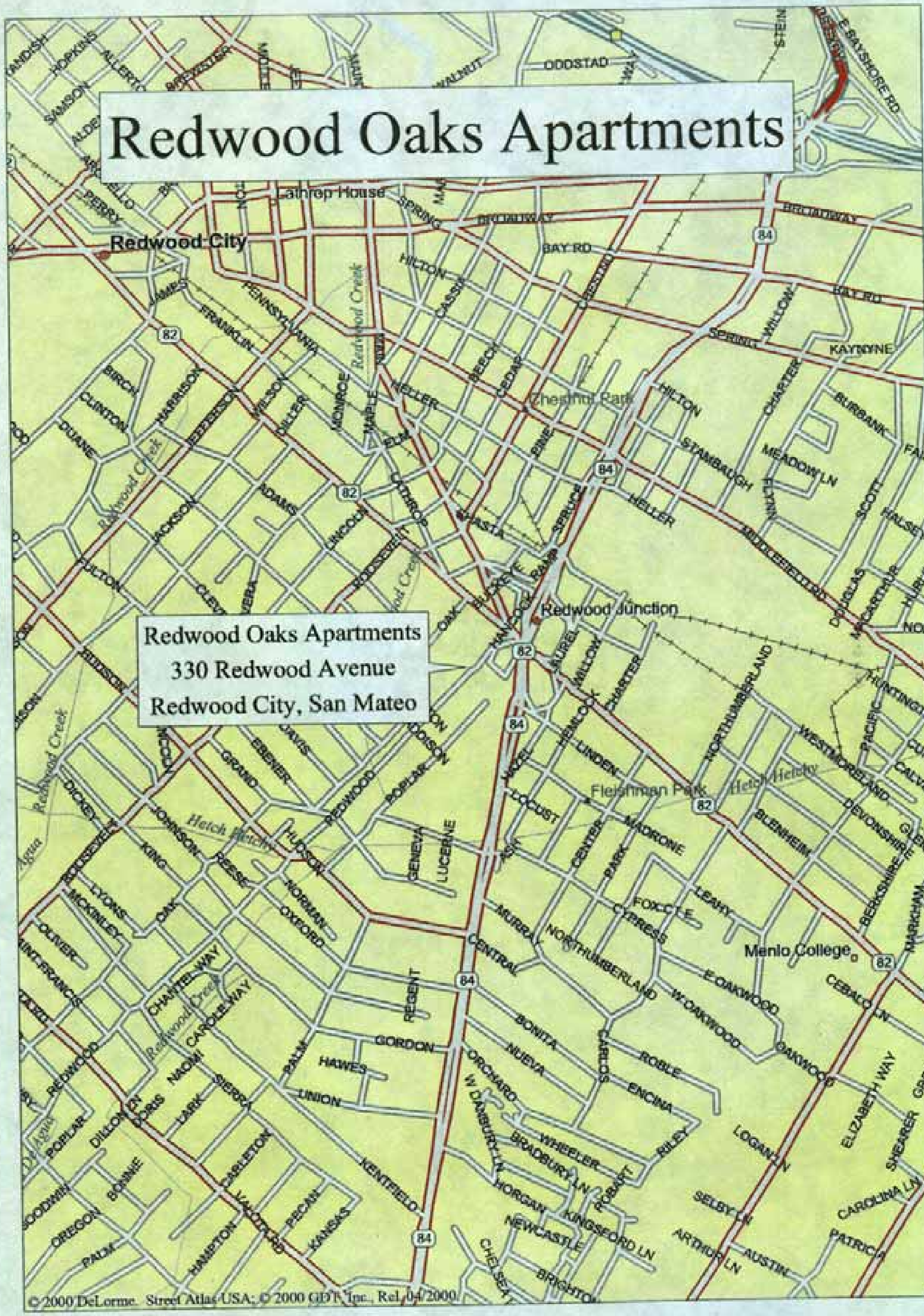
Redwood Oaks Apartments
Redwood Oaks Apartments
330 Redwood Avenue
Redwood City, San Mateo
Redwood City
Lathrop House
Redwood Junction
Chestnut Park
Fleishman Park
Menlo College
Redwood Creek
Hetch Hetchy
BROADWAY
BAY RD
ODDSTAD
E BAYSHORE RD
SPRING
HILTON
KAYNINE
MIDDLEFIELD RD
STAMBAUGH
HELLER
MEADOW LN
NORTHUMBERLAND
WESTMORELAND
DEVONSHIRE
BLENHEIM
BERKSHIRE
MADRONE
CYPRESS
LEAHY
CENTRAL
E OAKWOOD
W OAKWOOD
CEBALO LN
ELIZABETH WAY
CAROLINA LN
PATRICIA
LOGAN LN
SELBY LN
ARTHUR LN
AUSTIN
BONITA
NUEVA
ROBLE
ENCINA
RILEY
WHEELER
BRADBURY LN
KINGSFORD LN
HORGAN
NEWCASTLE
BRIGHTON
CHELSEA
KENTFIELD
GORDON
HAWES
UNION
PALM
REGENT
GENEVA
LUCERNE
HUDSON
REDWOOD
POPLAR
JOHNSON
KING
REESE
NORMAN
OXFORD
GRAND
FULTON
JACKSON
ADAMS
LINCOLN
ROOSEVELT
MONROE
MAPLE
ELM
PENNSYLVANIA
FRANKLIN
BIRCH
CLINTON
DUANE
HARRISON
JEFFERSON
WILSON
BEECH
CEDAR
PINE
SPRUCE
LINDEN
LOCUST
CENTER
PARK
LAUREL
WILLOW
CHARTER
HEMLOCK
BURBANK
SCOTT
DOUGLAS
CHANTEL WAY
CAROLE WAY
NAOMI
LARK
SIERRA
CASTLETON
HAMPTON
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# RESOLUTION 01-24

## RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Human Investment Project, Inc. (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 36-unit multifamily housing development located in the City of Redwood City to be known as Redwood Oaks Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 7, 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 May 24, 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 | MORTGAGE AMOUNTS |
|---|---|---|---|
| 99-019-N | Redwood Oaks Apartments<br>Redwood City/San Mateo | 36 | |
| | | First Mortgage: | **$1,605,000** |
| | | BRIDGE Loan: | **$1,045,000** |

2. 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 increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily 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 01-24 adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento, California.

ATTEST:______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

**Final Commitment**

**Los** Gatos Apartments

CHFA Ln. 01-017-N

**SUMMARY:** This is a Final Commitment request for a first mortgage using **501(c)(3)** bonds in the amount of $945,000 amortized over thirty years at 5.70%. The project is Los Gatos Apartments, a **12** studio unit, recently completed project located at 31 Miles Avenue, Los Gatos, Santa Clara County.

**LOAN TERMS:**

| | |
|---|---|
| **1st Mortgage Amount:** | $945,000 |
| Interest Rate: | 5.70% |
| Term: | 30 year fixed, fully amortized |
| Financing: | 501(c)(3) |

**LOCALITY INVOLVEMENT:**

- County of Santa Clara, **HOME :**$250,000, 6%, 30 year term, payment deferred
- City of Los Gatos Redevelopment Agency: $425,000, Grant

**MARKET:**

**A. Market Overview**

The project is located in the City of Santa Clara in the northeasterly portion of Santa Clara County. Santa Clara County is located south of the San Francisco Bay and is one of the nine Bay Area Counties. The population of Santa Clara County is approximately 1,736,700 as of January 1, 2000. This represents a 1.6% increase over the population base of 1999.

Manufacturing plays a dominant role in the regional economy, accounting for approximately one third of the total county employment. The electronics industry account for a major portion of manufacturing jobs.

The Town of Los Gatos ("Los Gatos") is located on the lower slope of the Santa Cruz Mountains at the southwestern edge of the Santa Clara Valley. It is a suburban, residential area that abuts the cities **of** San Jose and Campbell to the south and Saratoga to the east. The mean household income in Los Gatos is roughly 50% higher than for the county as a whole.

## B. Market Demand

Demand for all types **of** housing in Los Gatos exceeds supply. Business owners complain that they cannot hire employees because rental housing in the town is too expensive. This project was approved by the Los Gatos RDA with the understanding that preference would be given ***to*** those who work and live in Los Gatos and second preference ***to*** those that live or work in the Los Gatos.

## C. Housing Supply

There is little rental housing available in Los Gatos. Of the four market rate apartment comparables, on is in Los Gatos and the remaining three are from other towns located between *6* and 12 miles from the project. The project in Los Gatos does not have any studio units. The three remaining projects have studio units which rent for an average of $1,250. Pools are included as an additional amenity in all four comparables.

## PROJECT FEASIBILITY:

### A. Rent Differentials ( Market vs. Restricted)

| | | | | |
|---|---|---|---|---|
| | | | | |
| **Studio** | | $1,250 | | |
| 50% | $738 | | $512 | 59% |
| 60% | $891 | | $359 | 71% |
| | | | | |

## PROJECT DESCRIPTION:

- Currently zoned Medium Density Residential 5-12 units per acre. However, Policy 1 of the Town's Housing Element allows a density bonus up ***to*** 100% for land that is to be developed for persons in the very low and low-income groups.

The Development Review Committee for the Town of Los Gatos approved the 100% density bonus, thereby allowing the construction of 12 units on this site.

- Project location: In the southwest portion of Los Gatos adjacent to the Los Gatos/Monte Sereno city boundary. The project is on Miles Avenue, a short street on the east side of Highway 17

- Surrounding improvements: The project is surrounded by a PG& E substation to the north, Highway 17 to the east, the Town of Los Gatos Corporation yard to the south and the Los Gatos Creek and bike path to the west.

- Project description: 12-unit apartment; 2 two-story buildings; 18 open parking spaces. 12 studio, one-bath units (408 and 451 sq. ft.)

- Amenities: A laundry room and a picnic area.

**OCCUPANCY RESTRICTIONS:**

| | |
|---|---|
| CHFA: | 20% of the units (3) will be restricted to 50% or less of median income.<br>60% of the units (7) will be restricted to 60% or less of median income. |
| HOME: | 100% of the units (12) will be restricted to 60% or less of median income. |

**ENVIRONMENTAL:**

- A Phase I was completed by Confidential Compliance Consultants on April 10, 1998. No adverse conditions were noted. An updated Phase I-Environmental Assessment Report conforming to current ASTM standards has been ordered. The final commitment is conditioned upon receipt and acceptance by CHFA of the Phase I.

- A seismic review by URS has been ordered. The final commitment is conditioned upon receipt and acceptance by CHFA of the seismic review.

- A noise study was completed by Edward L. Pack Associates, Inc. on August 6, 1998 and a subsequent noise study dated February 3, 1999 was also completed. The second study required a 6-foot high wall at the north of the project, mechanical ventilation and windows rated a minimum STC 27.

## ARTICLE 34:

An opinion letter has been requested by the sponsor and the permanent loan closing will be conditioned upon review and approval by the Agency.

## DEVELOPMENT TEAM:

### A. Borrower's profile

The current owner of the project is Community Developers Local Development Company, Inc., a non-profit public benefit corporation ("CDLDC") that is the developing company for Community Housing Developers, Inc., a non-profit public benefit corporation ("CDC"). CDLDC has twenty years of experience developing and rehabilitating multifamily rental housing. They own and /or manage six tax-credit projects totaling 1,086 units. CDC is the non-profit on El Rancho Verde, a project currently in CHFA's portfolio.

### B. Contractor

Trident Construction, Inc. has been constructing multifamily projects since 1993. To date they have constructed nine projects with a total of 690 units. Another three projects with a total of **84** units are under construction.

### C. Architect

The project was constructed by Thacher & Thompson Architects was founded in 1973. They are a full service architectural firm specializing in rental housing.

### D. Management Agent

The John Stewart Company was founded in 1978 and is a full service housing management organization with employees throughout the state of California. John Stewart manager **1,567** rental apartment units in 21 tax credit projects. They are known ***to*** CHFA and manages several projects in the CHFA portfolio.

# Project Summary

Date: 8-Jun-01

## Project Profile:

| | | | |
|---|---|---|---|
| *Project :* | Los Gatos Creek Village | *Appraiser:* | Stephen Kuhnhoff |
| *Location:* | 31 Miles Avenue | | Hulberg & Associates |
| | Los Gatos | *Cap Rate:* | 7.00% |
| *County/Zip:* | Santa Clara 95050 | *Market:* | $ 1,320,000 |
| *Borrower:* | CDLDC, Inc. | *Income:* | $ 1,310,000 |
| *GP:* | TBD | *Final Value:* | $ 1,310,000 |
| *LP:* | TBD | | |
| | | ***LTC/LTV:*** | |
| *Program:* | 501 (c)(3) | *Loan/Cost* | 58.3% |
| *CHFA # :* | 01-017-N | *Loan/Value* | 72.1% |

## Project Description:

| | |
|---|---|
| *Units* | 12 |
| *Handicap Units* | 1 |
| *Bldge Type* | New Const |
| *Buildings* | 3 |
| *stories* | 2 |
| *Gross Sq Ft* | 5.585 |
| *Land Sq Ft* | 20,274 |
| *Units/Acre* | 26 |
| *Total Parking* | 16 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $945,000 | $78,750 | 5.70% | 30 |
| City of Los Gatos RDA | $425,000 | $35,417 | 0.00% | |
| County of Santa Clara HOME | $250,000 | $20,833 | 6.00% | 30 |
| Other Loans | $0 | $0 | | |
| Borrower Contribution | $0 | $0 | | |
| Tax Credit Equity | $0 | $0 | | |
| Deferred Developer Fee | $243 | $20 | | |
| CHFA Bridge | $0 | $0 | 0.00% | |
| CHFA HAT | $0 | $0 | 0.00% | |

## Unit Mix:

| Type | Size | Number | AMI | Rent | Max Income |
|---|---|---|---|---|---|
| OBR | 435 | 3 | 50% | $738 | $30,450 |
| OBR | 435 | 9 | 60% | $891 | $36,540 |
| | | 12 | | | |

## Fees, Escrows and Reserves:

| Escrows | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | $9,450 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $9,450 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $9,450 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $12,337 | Letter of Credit |
| Utility Stabilization Reserve | 150.00% | of Utility Estimates | $15,626 | Letter of Credit |
| Annual Replacement Reserve Deposit | $300.00 | per unit | $3,600 | Operations |
| Construction Defects Security Agreement | 2.50% | of Hard Costs | $11,038 | Letter of Credit |

# Sources and Uses

## Los Gatos Creek Village

### SOURCES:

| *Name of Lender / Source* | Amount | $ per unit |
|---|---|---|
| CHFA First Mortgage | 945,000 | 78,750 |
| CHFA Bridge | 0 | 0 |
| CHFA HAT | 0 | 0 |
| City of Los Gatos RDA | 425,000 | 35,417 |
| County of Santa Clara HOME | 250,000 | 20,833 |
| Other Loans | 0 | 0 |
| **Total Institutional Financing** | **1,620,000** | **135,000** |
| ***Equity Financing*** | | |
| Tax Credits | 0 | 0 |
| Deferred Developer Equity | 243 | 20 |
| **Total** Equity **Financing** | **243** | **20** |
| **TOTAL SOURCES** | **1,620,243** | **135,020** |

### USES:

| | | |
|---|---|---|
| Acquisition | 230,000 | 19,167 |
| Rehabilitation | 0 | 0 |
| New Construction | 1,082,056 | 90,171 |
| Architectual Fees | 77,305 | 6,442 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest & Fees | 57,505 | 4,792 |
| Permanent Financing | 19,400 | 1,617 |
| Legal Fees | 7,591 | 633 |
| Reserves | 27,963 | 2,330 |
| Contract Costs | 6,000 | 500 |
| Construction Contingency | 9,028 | 752 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | 40,895 | 3,408 |
| PROJECT **COSTS** | **1,557,743** | **129,812** |
| Developer Overhead/Profit | 62,500 | 5,208 |
| Consultant/Processing Agent | 0 | 0 |
| **TOTAL USES** | **1,620,243** | **135,020** |

# Annual Operating Budget

## Los Gatos Creek Village

| | Amount | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 122,796 | 10,233 |
| Laundry | 576 | 48 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | 123,372 | 10,281 |
| **Less:** | | |
| Vacancy Loss | 6,169 | 514 |
| **Total Net Revenue** | 117,203 | 9,767 |
| **EXPENSES:** | | |
| Payroll | 4,564 | 380 |
| Administrative | 9,070 | 756 |
| Utilities | 11,717 | 976 |
| Operating and Maintenance | 6,221 | 518 |
| Insurance and Business Taxes | 5,139 | 428 |
| Taxes and Assessments | 4,393 | 366 |
| Reserve for Replacement Deposits | 3,600 | 300 |
| **Subtotal Operating Expenses** | 44,704 | 3,725 |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 65,817 | 5,485 |
| **Total Financial** | 65,817 | 5,485 |
| **Total Project Expenses** | 110,521 | 9,210 |

# Cash Flow

**Los Gatos Creek Vill: CHFA # 01-017-N**

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Market *Rent* Increase | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| Market Rents | N/A | N/A | N/A | NIA | N/A | N/A | N/A | N/A | WA | WA |
| *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 | 122.796 | 125,866 | 129.0 13 | 132.238 | 135.544 | 138.932 | 142,406 | 145.966 | 149.615 | 153.355 |
| TOTAL RENTAL INCOME | **122.7%** | **125.866** | **129.013** | **132,238** | **135,544** | **138,932** | **142,406** | **145,966** | **149,615** | **153,355** |
| 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 | 576 | 590 | **605** | 620 | 636 | 652 | **668** | 685 | 702 | 719 |
| Other Income | WA | WA | N/A | NIA | N/A | WA | WA | WA | NIA | N/A |
| TOTAL OTHER INCOME | **576** | **590** | **605** | **620** | **636** | **652** | **668** | **685** | **702** | **719'** |
| GROSS INCOME | **123,372** | **126,456** | **129,618** | **132,858** | **136,180** | **139,584** | **143,074** | **146.651** | **150,317** | **154.075** |
| Vacancy *Rate* :Market | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *WA* |
| Vacancy ***Rate* :Affordable** | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 6.169 | 6.323 | 6.481 | 6.643 | 6.809 | 6.979 | 7.154 | 7.333 | 7.516 | 7.704 |
| EFFECTIVE GROSS INCOME | **117,203** | **120,134** | **123,137** | **126.215** | **129.371** | **132,605** | **135,920** | **139,318** | **142,801** | **146,371** |
| 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 | 36.711 | 38.179 | 39.707 | 41.295 | 42,947 | 44.665 | 46.451 | 48,309 | 50.242 | 52.251 |
| Replacement Reserve | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 3.780 | 3.780 | 3,780 | 3.780 | 3,780 |
| 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 | 4.393 | 4.481 | 4.570 | 4.662 | 4.755 | 4.850 | 4.947 | 5.046 | 5.147 | 5.250 |
| TOTAL EXPENSES | **44.704** | **46.260** | **47.877** | **49.557** | **51.302** | **53.295** | **55.178** | **57.135** | **59.169** | **61.281** |
| NET OPERATING INCOME | **72,499** | **73,873** | **75,260** | **76,658** | **78,069** | **79,310** | **80,742** | **82,183** | **83,632** | **85,090** |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - **1st Mortgage** | 65.817 | 65.817 | 65,817 | 65.817 | 65,817 | 65.817 | 65,817 | 65.817 | 65.817 | 65,817 |
| CHFA - Bridge Loan | **0** | ***0*** | **0** | ***0*** | **0** | | | | | |
| CHFA - HAT Loan | **0** | **0** | **0** | **0** | **0** | | | | | |
| CASHFLOW **after debt service** | **6.682** | **8,056** | **9,442** | **10,841** | **12.251** | **13.493** | **14,924** | **16.365** | **17,815** | **19,272** |
| DEBT COVERAGE RATIO | **1.10** | **1.12** | **1.14** | **1.16** | **1.19** | **1.21** | **1.23** | **1.25** | **1.27** | **1.29** |

## 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* | *WA* | *N/A* |
| Market Rents | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| AffordableRents | 157.189 | 161.119 | 165.147 | 169,276 | 173,508 | 177.845 | 182.291 | 186.849 | 191,520 | 196,308 |
| TOTAL RENTAL INCOME | 157.189 | 161,119 | 165,147 | 169,276 | 173,508 | 177.845 | 182.291 | 186,849 | 191,520 | 196,308 |
| **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 | 737 | 756 | 775 | 794 | 814 | 834 | 855 | 876 | 898 | 921 |
| Other Income | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| TOTAL OTHER INCOME | 737 | 756 | 775 | 794 | 814 | 834 | 855 | 876 | 898 | 921 |
| GROSS INCOME | 157,927 | 161,875 | 165,922 | 170,070 | 174,321 | 178,679 | 183,146 | 187,725 | 192.418 | 197,229 |
| *Vacancy Rate :Market* | *WA* | *N/A* | *WA* | *WA* | *WA* | *N/A* | *WA* | *WA* | *WA* | *WA* |
| *Vacancy Rate :Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 7.896 | 8.094 | 8.296 | 8.503 | 8.716 | 8.934 | 9.157 | 9,386 | 9.621 | 9.861 |
| EFFECTIVE GROSS INCOME | 150,030 | 153,781 | 157,626 | 161,566 | 165,605 | 169,745 | 173,989 | 178.339 | 182,797 | 187,367 |
| **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 | 54.341 | 56.515 | 58.775 | 61.127 | 63.572 | 66.114 | . 68.759 | 71.509 | 74.370 | 77.345 |
| Replacement Reserve | 3.969 | 3.969 | 3.969 | 3.969 | 4.167 | 4.167 | 4.167 | 4.167 | 4.167 | 4.376 |
| *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 | 5.355 | 5.462 | 5.571 | 5.683 | 5.796 | 5.912 | 6.031 | 6.151 | 6.274 | 6.400 |
| TOTAL EXPENSES | 63,665 | 65,946 | 68,316 | 70,778 | 73,535 | 76,194 | 78,957 | 81,828 | 84,811 | 88,120 |
| NET OPERATING INCOME | 86,365 | 87,835 | 89,310 | 90,788 | 92,070 | 93,551 | 95,032 | 96.51 1 | 97.986 | 99,247 |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 65.817 | 65.817 | 65.817 | 65.817 | 65.817 | 65.817 | 65.8 17 | 65.817 | 65.817 | 65.817 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | | | |
| CASH FLOW after debt service | 20,548 | 22.018 | 23,492 | 24,970 | 26,252 | 27,734 | 29.21 5 | 30,693 | 32,168 | 33.430 |
| DEBT COVERAGE RATIO | 1.31 | 1.33 | 1.36 | 1.38 | 1.40 | 1.42 | 1.44 | 1.47 | 1.49 | 1.51 |

940

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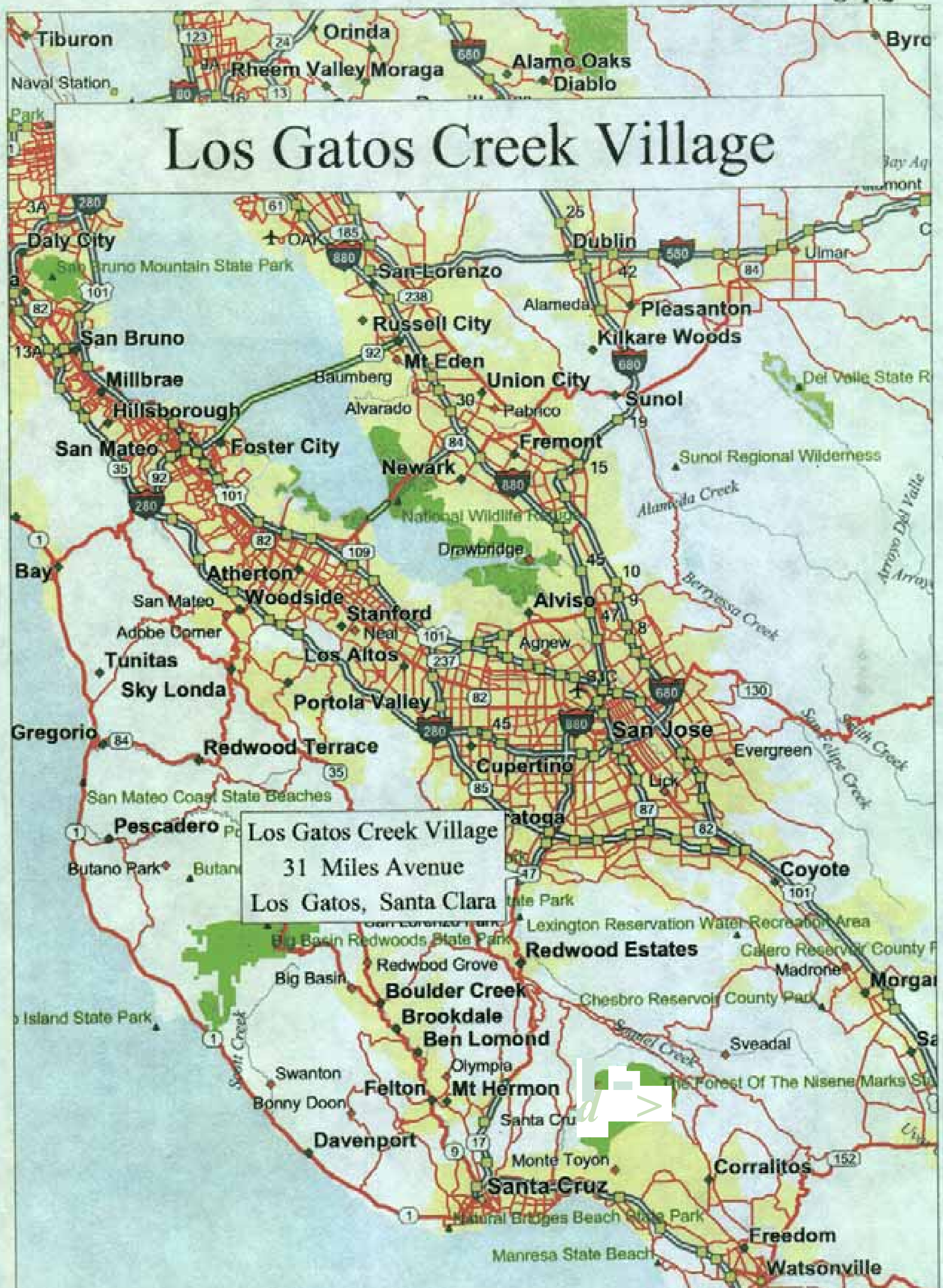
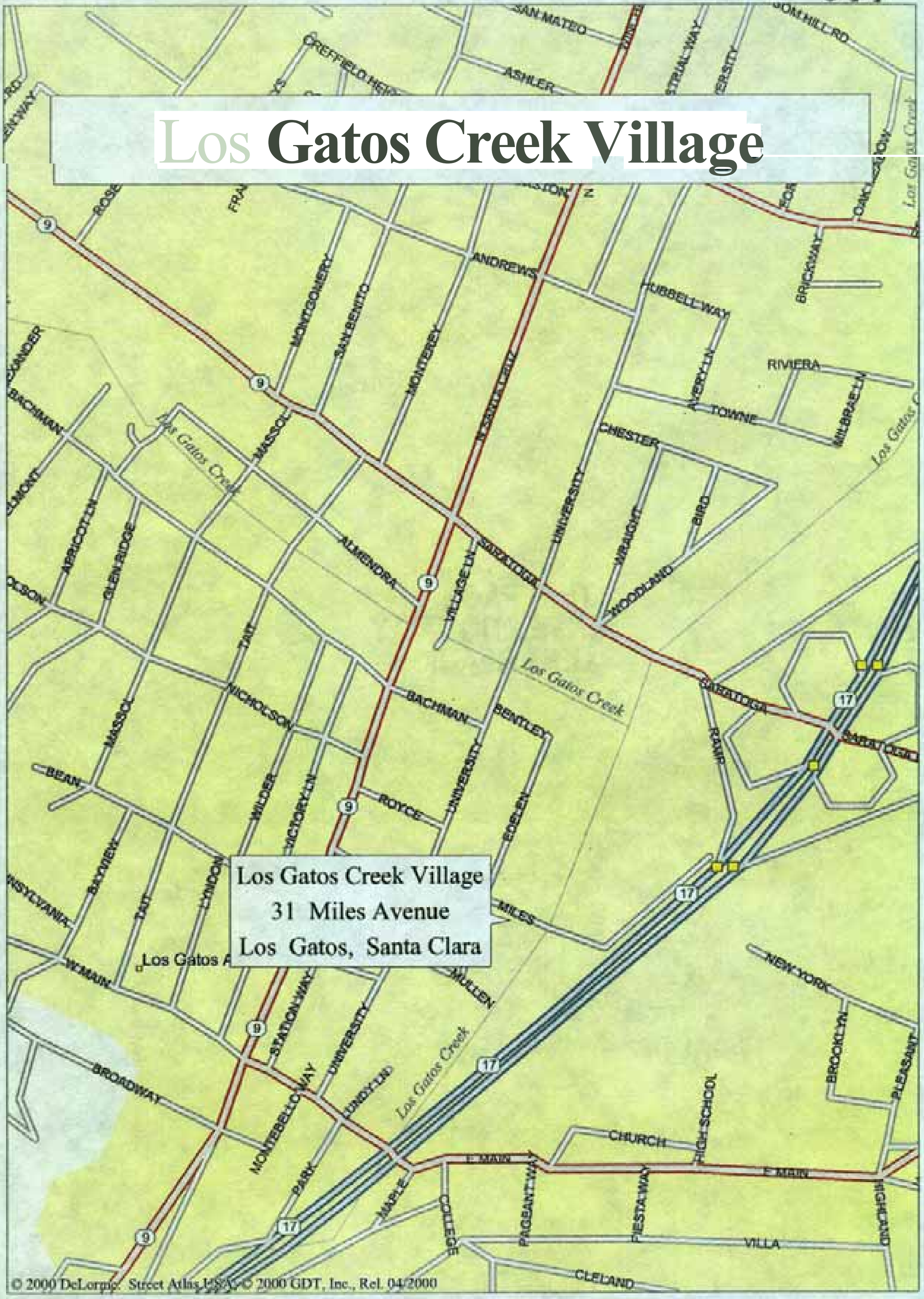
## Cash Flow

| 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* | *WA* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| Market Rents | N/A | N/A | NIA | N/A | N/A | N/A | N/A | NIA | 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 | 201.216 | 206,246 | 211,402 | 216.687 | 222.104 | 227.657 | 233,348 | 239.182 | 245.162 | 251.291 |
| **TOTAL RENTAL INCOME** | **201,216** | **206,246** | **211,402** | **216,687** | **222,104** | **227,657** | **233,348** | **239.182** | **245,162** | **251,291** |
| | | | | | | | | | | |
| **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 | 944 | 967 | 992 | 1.016 | 1,042 | 1,068 | 1,095 | 1.122 | 1.150 | 1.179 |
| Other Income | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | NIA | N/A |
| **TOTAL OTHER INCOME** | **944** | **967** | **992** | **1,016** | **1,042** | **1,068** | **1,095** | **1,122** | **1,150** | **1,179** |
| | | | | | | | | | | |
| **GROSS INCOME** | **202,159** | **207,213** | **212,394** | **217,704** | **223,146** | **228.725** | **234,443** | **240.304** | **246,312** | **252,469** |
| | | | | | | | | | | |
| Vacancy Rate :***Market*** | ***WA*** | *W A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *W A* | ***WA*** | *N/A* |
| Vacancy Rate :***Affordable*** | ***5.00%*** | *5.00%* | *5.00%* | 5.***00%*** | *5.00%* | *5.00%* | *5.00%* | *5.00%* | ***5.00%*** | 5.00% |
| Less: Vacancy Loss | 10,108 | **10,361** | 10.620 | 10,885 | 11.157 | 11,436 | 11.722 | 12,015 | 12.316 | 12.623 |
| **EFFECTIVE GROSS INCOME** | **192.051** | **196,853** | **201,774** | **206,818** | **211,989** | **217,289** | **222,721** | **228.289** | **233,996** | **239,846** |
| | | | | | | | | | | |
| **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 | 80.438 | 83,656 | 87,002 | 90,482 | 94.101 | 97,866 | 101,780 | 105,851 | 110,085 | 114.489 |
| Replacement Reserve | 4.376 | 4.376 | 4.376 | 4.376 | 4.595 | 4.595 | 4.595 | 4.595 | 4.595 | 4.595 |
| 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 | 6,528 | 6,658 | 6.791 | 6.927 | 7,066 | 7.207 | 7.351 | 7,498 | 7,648 | 7,801 |
| **TOTAL EXPENSES** | **91,342** | **94,690** | **98,169** | **101,785** | **105,762** | **109.667** | **113,726** | **117,944** | **122,328** | **126,885** |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | **100,710** | **102.163** | **103,605** | **105,033** | **106,227** | **107,621** | **108,995** | **110,344** | **111,668** | **112.961** |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 65.817 | 65.817 | 65,817 | 65.817 | 65.817 | 65.817 | 65.817 | 65.817 | 65.817 | 65.817 |
| CHFA - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | | | |
| CASH FLOW **after debt service** | **34,892** | **36,345** | **37,787** | **39,216** | **40,410** | **41,804** | **43.177** | **44,527** | **45,850** | **47,144** |
| **DEBT COVERAGE RATIO** | **1.53** | **1.55** | **1.57** | **1.60** | **1.61** | **1.64** | **1.66** | **1.68** | **1.70** | **1.72** |


Los Gatos Creek Village
Los Gatos Creek Village
31 Miles Avenue
Los Gatos, Santa Clara
Tiburon
Orinda
Rheem Valley
Moraga
Alamo Oaks
Diablo
Naval Station
Daly City
San Bruno Mountain State Park
Dublin
Ulmar
San Lorenzo
Alameda
Pleasanton
Russell City
Kilkare Woods
San Bruno
Mt Eden
Union City
Sunol
Millbrae
Baumberg
Alvarado
Fabrico
Del Valle State R
Hillsborough
Fremont
San Mateo
Foster City
Newark
Sunol Regional Wilderness
Alameda Creek
National Wildlife Refuge
Drawbridge
Bay
Atherton
Woodside
Alviso
San Mateo
Stanford
Berryessa Creek
Adobe Corner
Neal
Agnew
Tunitas
Los Altos
Sky Londa
Portola Valley
Gregorio
San Jose
Redwood Terrace
Evergreen
Cupertino
Lick
San Mateo Coast State Beaches
Pescadero
Butano Park
Coyote
Lexington Reservation Water Recreation Area
Big Basin Redwoods State Park
Redwood Estates
Redwood Grove
Madrone
Big Basin
Boulder Creek
Chesbro Reservoir County Park
Brookdale
Island State Park
Ben Lomond
Sveadal
Olympia
Swanton
Felton
Mt Hermon
The Forest Of The Nisene Marks St
Bonny Doon
Santa Cruz
Davenport
Monte Toyon
Corralitos
Santa Cruz
Natural Bridges Beach State Park
Freedom
Manresa State Beach
Watsonville
Aromas

# Los Gatos Creek Village



RESOLUTION 01-25

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Community Developers Local Development Company, Inc., a nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 12-unit multifamily housing development located in the City of Los Gatos to be known as Los Gatos Creek (the "Development"). The actual borrower will be Los Gatos Greek Village Apartments, Inc., a 501(c)(3) nonprofit public benefit corporation (the "Borrower") who will be acquiring the Development prior to the Agency's loan closing; and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 8, 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 June 8, 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, including those set forth in the Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 01-017-N | Los Gatos Creek<br>Los Gatos/Santa Clara | 12 | $945,000 |

2. 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 increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily 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 01-25 adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento, California.

ATTEST: ______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

**Final Commitment**
**Pickleweed Apartments**
**CHFA Ln. # 00-038-N**

**SUMMARY:**

This is a Final Commitment request for a first mortgage in the amount of $1,805,000 that is fully amortized over thirty years. The project is Pickleweed Apartments, a 32-unit, family, existing project located at 651 Miller Avenue, Mill Valley, Marin County.

**LOAN TERMS:**

| | |
|---|---|
| 1st Mortgage | $1,805,000 |
| Interest Rate | 5.7% |
| Term | 30 year fixed, fully amortized |
| Financing | 501(C)(3) |

**LOCALITY INVOLVEMENT:**

The City of Mill Valley and BRIDGE entered into a Site Lease and Lease Agreement dated December 1, 1985, in which the City agreed to lease the land to BRIDGE and BRIDGE agreed to construct a multi-family rental housing project, Pickleweed Apartments, and lease the site and the improvements back to the City.

The funds for the rent payment were provided from a loan from Bank of America to BRIDGE, that is to be re-financed with the proceeds of a loan from CHFA.

The City leases the site to Alto Station, Inc., a California nonprofit public benefit corporation (the "Lessee"), an affiliate of BRIDGE and transferred. title of the improvements to the lessee. Lessee has accepted title to the improvements and has agreed to operate the improvements on the site pursuant to the ground lease.

In addition to lessee's right to encumber its leasehold estate created by this ground lease, the City agrees to subordinate its fee title in the development and its reversionary interest in the development to any leasehold mortgage.

## SECTION 8 CONTRACT:

The subject project has entered into a Housing Assistance Payments Contract with the Housing Authority of the County of Marin under HUD's Section 8 Tenant-Based Assistance Housing Choice Voucher Program. The HAP contract is based upon annual renewals.

**Conversion Scenario:** The majority of residents are likely to remain Section 8 tenants for several years. Given the uncertainty of the HAP contracts based upon the renewal is subject to annual appropriations, CHFA staff is requiring a transition operating reserve to subsidize debt service costs. The borrower will seek renewals of all Section 8 HAP contract choices or HUD's equivalent subsidies 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 from Section 8 to non-subsidized rents. Funding of the account will occur at loan closing from capitalized funds from the mortgage loan in the amount of $30,000 into the TOR to cover approved operating shortfalls, which will be drawn on an "as needed" basis.

## MARKET

### A. Market Overview

Marin County has developed primarily as a residential or bedroom community with little in the way of major business or industrial facilities. A large proportion of the county's work force commutes to the major business centers in the surrounding Bay Area, primarily downtown San Francisco. Highway 101 runs through the county, connecting directly with San Francisco to the south across Golden Gate Bridge and Santa Rosa to the north. Interstate 580 runs across the Richmond-San Rafael Bridge providing a direct connection with the East Bay area. Commuter ferries provide service to the San Francisco Financial District from the Cities of Larkspur, Tiburon and Sausalito. Bus service is also available from most portions of Marin County to San Francisco.

According to the State Department of Finance, the county population as of January 1, 2000 (the latest figures published) was 249,700. Few sites remain in the southern portion of the county on which new residential development is permissible. Land available for development is more readily available in the northern section of the county near the City of Novato. Due to the high proportion of executives and professionals residing in Marin County, household income in the county ranks first in the state. ABAG reports that Marin County residents had a mean household income of approximately $86,800 in 2000. This compares to region-wide median of $66,900. Marin also ranks among the top counties nationally in terms of household income.

## B. Market Demand

The housing market in Marin County has long been one of the most expensive markets in the country. High demand and a shortage of land has kept Marin County costs at several times the national average. According to Second Quarter **2000** statistics prepared by Hendricks & Partners, a commercial real estate brokerage specializing in apartment buildings, the San Francisco Apartment Market has an overall vacancy of **0.9** percent. These figures include Marin County. This compares to **1999** vacancy figures for the entire market of **1.5** percent.

The report further segments vacancy figures by region. Marin County is split into two submarkets, north and south. In Northern Marin County, the vacancy rate was reported to be **1.2** percent while in Southern Marin County the vacancy rate was reported to be **1.0** percent. Both of these figures represent a decrease in the vacancy rate compared to **1999** figures. In **1999,** Hendricks & Partners reported a vacancy rate of **1.4** percent for Northern Marin County and **2.1** percent for Southern Marin County. These figures show the overall strength of the market.

In the subject's submarket (Southern Marin County), the average rental rate was reported to be **$1,628** per month, up 6.0 percent from **1999** figures. This represent the lowest rent increase of all the submarkets, but at 6.0 percent the rent increase is strong by historical standards. By contrast, the Northern Marin County market saw an increase in rental rates to **$1,280** per month, up from **$1,148** in **1999.** This represents an increase of **11.5** percent.

In conclusion, the Marin County apartment market is one of the strongest in the county. **A** strong economy, high demand and a shortage of buildable land has kept Marin County housing costs at roughly two times the national average. Further, Southem Marin County is one of the most expensive markets of the submarkets.

## C. Market Supply

Owner-occupants comprise the largest proportion of Mill Valley's residents. Four publicly owned and/or publicly subsidized projects located within the City of Mill Valley currently provide **191** low- and moderate-income rental units. The city still has an additional **136** units authorized under the Article **34** referendum after developing the **32** low and moderate income rental units at Pickleweed. Environmental constraints, economic conditions, limitations on utility connections and government policies all affect housing affordability.

| Unit Type | Subject: | Section 8 | Market Rent | Dif. Btwn Mkt. | % Of Market |
|---|---|---|---|---|---|
| One Bedroom | | $722 | $1,350 | | |
| 50% | $710 | | | $640 | 53% |
| 80% | $710 | | | $640 | 53% |
| Two Bedroom | | $833 . | $1,650 | | |
| 50% | $813 | | | $837 | 49% |
| 80% | $852 | | | $798 | 52% |
| Three Bedroom | | $1,051 | $2,100 | | |
| 50% | $900 | | | $1.200 | 43% |
| 80% | $1,072 | | | . $1,028 | 51% |

**PROJECT DESCRIPTION:**

**A. Site Design:**

The subject property consists of a single assessor's parcel containing 1.86-acres. The parcel is improved with a four-building apartment complex. The project was built in 1987. The site is located to the west of Highway 101 near the Bothin Marsh Open Space Preserve. The street address is 631-696 Miller Avenue in the City of Mill Valley. The subject development consists of a 32-unit apartment complex including 8, one-bedroom/one-bath units, 16, two-bedroom/one-bath units, and 8, three-bedroom/two-bath units.

The subject's units feature a variety of amenities including range/oven, dishwasher, garbage disposal, frost-free refrigerator, smoke detector, storage area, covered parking, and a private patio or balcony. On-site amenities include a common laundry facility and play area. There is also an on-site management office.

**B. Project Location:**

The subject property is located on the southern edge of the City of Mill Valley. The neighborhood is bounded to the north by the Sausalito Canal, to the west by Camino Alto, the east by the Bothin Marsh Preserve and on the south by State Highway 1. The subject is located in a primarily residential area which consists of developments constructed in the late 1970s and early 1980s.

The subject property is in close proximity to shopping with a Safeway anchored shopping center located at the northwest comer of Camino Alto and Miller Avenue. This shopping center also contains many shop spaces and the area to the west of the center contains a variety of restaurants and other neighborhood services.

In the immediate vicinity of the subject is Tamalpais High School. To the east of the subject is a condominium complex consisting of approximately 60 units. The most recent sales prices for these condos is in the range of $350,000 to $500,000. To the west of the subject is a senior residential care facility. The most prominent use in the subject neighborhood is the Bothin Marsh Preserve. The preserve serves as a popular park and walking trail used by many of the nearby residents.

## REHABILITATION

Alto Station, Inc. plans to rehabilitate the project in accordance with the physical needs assessment. The major rehabilitation work includes:

- Removing and replacing the asphalt shingle roof
- Painting the exterior of the buildings
- Dry rot repairs
- Replacement of water closets
- Bathroom faucets
- Exhaust fans

All rehabilitation will be conducted with the tenants-in-place, and with minimal disruption. No relocation is required.

## OCCUPANCY RESTRICTIONS:

| | |
|---|---|
| CHFA: | 20% of the units (7) will be restricted to 50% or less of median income.<br>75% of the units (24) will be restricted to 80% or less of median income. |
| City of:<br>Mill Valley | 20% of the units (7) will be restricted to 50%. |

## ENVIRONMENTAL:

A Phase I-Environmental Assessment Report prepared by Treadwell & Rollo dated December 4, 2000 and a Phase I update dated May 29, 2001 indicated no adverse conditions.

An asbestos and lead survey was not required.

## 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 Alto Station, Inc., a California Nonprofit Public Benefit Corporation, a subsidiary of BRIDGE Housing Corporation. The subsidiary will remain in the partnership as the 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

The contractor has not been selected as of this date. Rehabilitation will be managed by BRIDGE Housing Corporation in conjunction with BRIDGE Property Management Company.

### C. Architect

No architect is required based upon the contemplated rehabilitation proposed at the subject property.

### D. Management Agent

The BRIDGE Property Management 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

Date: 7-Jun-01

## Project Profile:

| | | | | | |
|---|---|---|---|---|---|
| *Project* : | Pickleweed Apts. | *Appraiser.* | Timothy Runde. MAI | | |
| *Location:* | 651 Miller Avenue | | Carneghi-Bautovich & Partners Inc | | |
| | Mill Valley | *Cap Rare* | 6.75% | | |
| *County/Zip:* | Marin 94941 | *Marker:* | $ 6.520.000 | | |
| *Borrower:* | Alto Station, Inc. | *Income.* | $ 6.340.000 | | |
| *GP:* | BRIDGE | *Final Value:* | $ 6.520,000 | | |
| LP: | TBD | | | | |
| | | ***LTC/LTV:*** | | | |
| *Program:* | 501(C)(3) | *Loan/Cost* | 74.1% | | |
| *CHFA #* : | 00-038-N | *Loan/Value* | 27.7% | | |

## Project Description:

| | |
|---|---|
| *Units* | 32 |
| *Handicap Units* | N/A |
| *Bldge Type* | Acq/Rehab |
| *Buildings* | 4 |
| *Srories* | 2 |
| *Gross Sq Ft* | 28,500 |
| *Land Sq Ft* | 81.022 |
| *Units/Acre* | f7 |
| *Total Parking* | 51 |
| *Cuvered Parking* | 9 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $1,805,000 | $56.406 | 5.70% | 30 |
| ALTO Station Assets | $528,765 | $16,524 | 0.00% | |
| Project Operating Revenue | $82.496 | $2.578 | 0.00% | |
| Developer Equity | $19,216 | $601 | | |
| Tax Credit Equity | $0 | S0 | | |
| Deferred Developer Fee | $0 | $0 | | |
| CHFA Bridge | $0 | S0 | 0.00% | |
| CHFA HAT | $0 | $0 | 0.00% | |

## Unit Mix:

| Type | Size | Number | AMI | Rent | Max Income |
|---|---|---|---|---|---|
| 1 BR | 629 | 2 | 50% | $710 | $29.950 |
| 2 BR | 880 | 4 | 50% | $813 | $33.700 |
| 3 BR | 1.110 | 1 | 50% | $900 | $37.450 |
| 2 BR | 880 | 1 | Manager | $831 | N/A |
| 3 BR | 1.110 | 1 | 80% | $1.072 | $59.920 |
| 1 BR | 629 | 6 | 80% | $710 | $47.920 |
| 2 BR | 880 | 11 | 80% | $852 | $53.920 |
| 3 BR | 1.110 | 6 | 80% | $1.072 | $59.920 |
| | | 32 | | | |

## Fees, Escrows and Reserves:

| Escrows | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | $18.050 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $38,050 | Cash |
| Bond Origination Guarantee | 0.00% | of Loan Amount | $0 | Letter of Credit |
| Utility Stabilization Reserve | 150.00% | of Utility | $16.6 12 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $33.643 | Letter of Credit |
| Annual Replacement Reserve Deposit | $350 | Per Unit | $11.200 | Operations |
| Initial Deposit to Repl Reserve | $1.525 | Per Unit | $48.800 | Cash |
| Transition Operating Reserve | | | $30.000 | Capitalized |

# Sources and Uses

**Pickleweed Apts.**

## SOURCES:

| *Name of Lender / Source* | **Amount** | **$per unit** |
|---|---|---|
| CHFA First Mortgage | 1,805,000 | 56,406 |
| CHFA Bridge | 0 | 0 |
| CHFA HAT | 0 | 0 |
| ALTO Station Assets | 528,765 | 16,524 |
| Project Operating Revenue | 82,496 | 2,578 |
| Other Loans | 0 | 0 |
| Total **Institutional Financing** | **2,416,261** | **75,508** |
| | | |
| ***Equity Financing*** | | |
| Tax Credits | 0 | **0** |
| Deferred Developer Equity | 19,216 | |
| Deferred Developer Equity | 0 | **0** |
| Total **Equity Financing** | **19,216** | **601** |
| | | |
| **TOTAL SOURCES** | **2,435,477** | **76,109** |

## USES:

| | | |
|---|---|---|
| Acquisition | 1,816,921 | 56,779 |
| Rehabilitation | 266,697 | 8,334 |
| New Construction | 0 | 0 |
| Architectual Fees | 0 | 0 |
| Survey and Engineering | 7,500 | 234 |
| Const. Loan Interest & Fees | 93,400 | 2,919 |
| Permanent Financing | 41,800 | 1,306 |
| Legal Fees | 3,079 | 96 |
| Reserves | 129,055 | 4,033 |
| Contract Costs | 9,250 | 289 |
| Construction Contingency | 20,000 | 625 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | 14,293 | 447 |
| **PROJECTCOSTS** | **2,401,995** | **75,062** |
| | | |
| Developer Overhead/Profit | 0 | 0 |
| Consultant/Processing Agent | 33,482 | 1,046 |
| | | |
| **TOTAL USES** | **2,435,477** | **76,109** |

# Annual Operating Budget — Pickleweed Apts.

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 334,656 | 10,458 |
| Laundry | 1,778 | 56 |
| Other Income | 0 | |
| Commercial/Retail | 0 | - |
| Gross **Potential Income (GPI)** | **336,434** | **10,514** |
| **Less:** | | |
| Vacancy Loss | 16,612 | 519 |
| **Total Net Revenue** | **319,822** | **9,994** |
| **EXPENSES:** | | |
| Payroll | 40.622 | 1,269 |
| Administrative | 28,344 | 886 |
| Utilities | 30.175 | 943 |
| Operating and Maintenance | 52,430 | 1,638 |
| Insurance and Business Taxes | 12,716 | 397 |
| Taxes and Assessments | 5,200 | 163 |
| Reserve for Replacement Deposits | 11,200 | 350 |
| **Subtotal Operating Expenses** | **180,687** | **5,646** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 125,715 | **3,929** |
| **Total Financial** | **125,715** | **3,929** |
| **Total Project Expenses** | **306,402** | **9,575** |

# Cash Flow

Pfckleweed **Apts.** CHFA # **00-038-N**

| RENTAL INCOME | Year I | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Sec. 8 Iiirease* | *I 60%* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| Sec 8.Rents | 4.188 | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | N/A |
| *Affordable Rent Increuse* | *2 50%* | *2 50%* | 2 SOW | *2 50%* | *2 50%* | *2 50%* | *2 50%* | *2 50%* | *2 50%* | *2 50%* |
| Affordable Rents | 330,468 | 338,730 | 347.198 | 355,878 | 364,775 | 373,894 | 181,242 | 392,823 | 402.64 3 | 412.709 |
| TOTAL RENTAL INCOME | **334,656** | 338.7.30 | **347,198** | **355,878** | 364,775 | 373.894 | 383,242 | **392,823** | 402.643 | 412,709 |
| OTHER INCOME | | | | | | | | | | |
| *Other Income Increase* | 2 50% | 2 SO% | *2.50%* | 2 50% | 2.50% | *2 50%* | *2.50%* | *2 50%* | *2 50%* | *2 50%* |
| Laundry | 1,778 | 1,822 | 1,868 | 1,915 | 1,962 | 2.012 | 2,062 | 2.113 | 2.166 | 2,220 |
| Commercial | NIA | NIA | NIA | NIA | N/A | NIA | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | **1,778** | 1,822 | **1,868** | **1,915** | 1,962 | 2,012 | 2.062 | 2,113 | **2,166** | 2,220 |
| GROSS INCOME | **336,434** | 340,552 | **349,066** | **357,793** | **366,737** | **375,906** | **385,303** | 394,936 | **404,809** | **414,930** |
| *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%* | 5 00% |
| Less: Vacancy Loss | 16.612 | 17,028 | 17,453 | 17.890 | 18,337 | 18,795 | 19,265 | 19,747 | 20.240 | 20.746 |
| Addition from Capitalized Reserve | 4.396 | 2,196 | | | | | | | | |
| EFFECTIVE GROSS INCOME | **324,218** | 325,720 | 331.61 3 | 339.903 | **348,400** | **357,110** | **366,038** | **375,189** | **384,569** | 394,183 |
| **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 | 164,287 | 170,858 | 177.693 | 184,801 | 192,193 | **199,880** | 207,875 | 216,190 | 224.838 | 233.832 |
| Replacement Reserve | 11,200 | 11,200 | **11,200** | 11,200 | 11,200 | 11,760 | 11,760 | 11,760 | 11,760 | 11,760 |
| *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 | 5,200 | 5,304 | 5.410 | 5,518 | 5,629 | S.741 | 5,856 | 5,973 | 6,093 | 6.214 |
| TOTAL EXPENSES | **180,687** | **187,362** | **194,303** | 201.519 | 209,021 | **217,381** | 225,492 | 233,924 | 242,691 | **251,806** |
| NET OPERATING INCOME | 143.531 | **138,358** | **137,310** | **138,384** | **139,379** | 139.729 | **140,547** | 141,266 | 141878 | 142,377 |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - **1st Mortgage** | 125,715 | 157 15 | 125.715 | 125,715 | 125.71 S | 125,715 | 125,71 S | 125,715 | 125,715 | 125,715 |
| CHFA - Bridge b a n | **0** | **0** | **0** | 0 | **0** | | | | | |
| CHFA - HAT b a n | **0** | **0** | **0** | **0** | **0** | | | | | |
| **CASH FLOW after debt service** | 17,816 | **12,643** | 11,595 | 12,669 | **13,665** | 14,014 | **14,832** | **15,551** | **16,163** | 16,662 |
| DEBT COVERAGE RATIO | 1.14 | 1.10 | 1.09 | 1.10 | 1.11 | 1.11 | 1.12 | 1.12 | 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 III | Year 19 | Year 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Sec. 8 Increase* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Sec. 11Rents | NIA | NIA | NIA | N/A | NIA | NIA | NIA | NIA | 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 | 423.027 | 433.603 | 444,443 | 455,554 | 466.943 | 478,616 | 490,582 | 502.846 | 515,417 | 528,303 |
| TOTAL RENTAL INCOME | 423,027 | 433.603 | 444.443 | 455.554 | 466.943 | 4711,616 | 490,5112 | 502,1146 | 515,417 | 528,303 |
| | | | | | | | | | | |
| **OTHER INCOME** | | | | | | | | | | |
| *Other Income Increuse* | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% | 2 50% |
| Laundry | 2.276 | 2,333 | 2,391 | 2.45 I | 2.512 | 2,575 | 2,639 | 2.705 | 2.773 | 2,842 |
| Commercial | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | 2,276 | 2,333 | 2,391 | 2,451 | 2.512 | 2.575 | 2.639 | 2.705 | 2,773 | 2,1142 |
| | | | | | | | | | | |
| GROSS INCOME | 425,303 | 435,935 | 446,834 | 4511,005 | 469,455 | 481,191 | 493,221 | 505,551 | 518,190 | 531,145 |
| | | | | | | | | | | |
| *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* | 5.0% | 5.00% | 5.00% | 5.00% | 5.00% | 5.001 | 5.00% | 5.00% | -5.00% | 5.00% |
| Less: Vacancy Loss | 21,265 | 21,797 | 22.342 | 22,900 | 23.473 | 24,060 | 24,661 | 25,278 | 25.910 | 26.557 |
| Addition from Capitalized Reserve | | | | | | | | | | |
| EFFECTIVE GROSS INCOME | 404,038 | 414.139 | 424.492 | 435,104 | 445,9112 | 457,132 | 468,560 | 4110,274 | 492,281 | 50451111 |
| | | | | | | | | | | |
| 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 | 243.185 | 252.912 | 263.029 | 273,550 | 284.492 | 295,872 | 307.706 | 320.015 | 332.81S | 346.128 |
| Replacement Reserve | 12,348 | 12,348 | 12,348 | 123411 | 123411 | 12,965 | 12,965 | 12,965 | 12,965 | 12,965 |
| *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 | 6.379 | 6,466 | 6.595 | 6.727 | 6,861 | 6.999 | 7.138 | 7.28 I | 7.427 | 7,575 |
| TOTAL EXPENSES | 261,1172 | 271,726 | 2n1,972 | 292.625 | 303,701 | 315,836 | 327,810 | 340,261 | 353,2011 | 366,669 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 142,166 | 142,413 | 142,521 | 142,4110 | 142,281 | 141,296 | 140,750 | 140,013 | 139,073 | 137,919 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 125,715 | 125.715 | 125,71S | 125,71S | 125,715 | 125,715 | 125,71S | 125.715 | 125.71S | 125,71S |
| CHFA - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loin | | | | | | | | | | |
| CASH FLOW after debt service | 16,451 | 16,698 | 16,806 | 16,765 | 16,566 | 155111 | 15.035 | 14,298 | 13,358 | 12,204 |
| DEBT COVERAGE RATIO | 1.13 | 1.13 | 1.13 | 1.13 | 1.13 | 1.12 | 1.12 | 1.11 | 1.11 | 1.10 |

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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 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Sec 8 Increase* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Sec 8 Rents | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| *Affordable Rent Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Affordable Rents | 541,510 | 555,048 | 568,924 | 583.147 | 597,726 | 612,669 | 627,986 | 643,686 | 659,778 | 676.272 |
| TOTAL RENTAL INCOME | 541,510 | 555.048 | 568,924 | 583.147 | 597.726 | 612,669 | 627.986 | 643.686 | 659.778 | 676.272 |
| **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 | 2.913 | 2,986 | 3,061 | 3,137 | 3.216 | 3,296 | 3.379 | 3,463 | 3,550 | 3,638 |
| Commercial | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| TOTAL OTHER INCOME | 2,913 | 2,986 | 3,061 | 3,137 | 32 16 | 3.296 | 3,379 | 3.463 | 3,550 | 3.638 |
| CROSS INCOME | 544,424 | 558,034 | 571,985 | 586.285 | 600,942 | 615,965 | 631,365 | 647,149 | 663,327 | 679,911 |
| *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% | 5.00% |
| Less: Vacancy Loss | 27.221 | 27.902 | 28,599 | 29.314 | 30.047 | 30,798 | 31,568 | 32.357 | 33,166 | 33.996 |
| Addition from Capitalized Reserve | | | | | | | | | | |
| EFFECTIVE GROSS INCOME | 517,202 | 530,133 | 543,386 | 556,970 | 570,895 | 585,167 | 599,796 | 614,791 | 630,161 | 645,915 |
| **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 | 359,973 | 374.372 | 389.347 | 404,921 | 421,118 | 437.962 | 455,481 | 473,700 | 492,648 | 512,354 |
| Replacement Reserve | 13,614 | 13.614 | 13.614 | 13.614 | 13.614 | 14,294 | 14.294 | 14.294 | 14.294 | 14.294 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 7.727 | 7,881 | 8,039 | 8,200 | 8,364 | 8,531 | 8,702 | 8,876 | 9,053 | 9,234 |
| TOTAL EXPENSES | 381,314 | 395,867 | 411,000 | 426,734 | 443,095 | 460,788 | 478,477 | 496,870 | 515,996 | 535,883 |
| NET OPERATING INCOME | 135,889 | 134,265 | 132,386 | IM.236 | 127,800 | 124,379 | 121,319 | 117,921 | 114,165 | 110,032 |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 125,715 | 125,7 IS | 125,715 | 125.715 | 125.715 | 125,715 | 125,715 | 125,715 | 125,715 | 125,715 |
| *CHFA* - Bridge Loan | | | | | | | | | | |
| CHFA - HAT Loan | | | | | | | | | | |
| CASH FLOW after debt service | 10,174 | 8,551 | 6,671 | 4.521 | 2,085 | (1,335) | (4,395) | (7,794) | (11,549) | (15,682) |
| DEBT COVERAGE RATIO | 1.08 | 1.07 | 1.05 | 1.04 | 1.02 | 0.99 | 0.97 | 0.94 | 0.91 | 0.88 |

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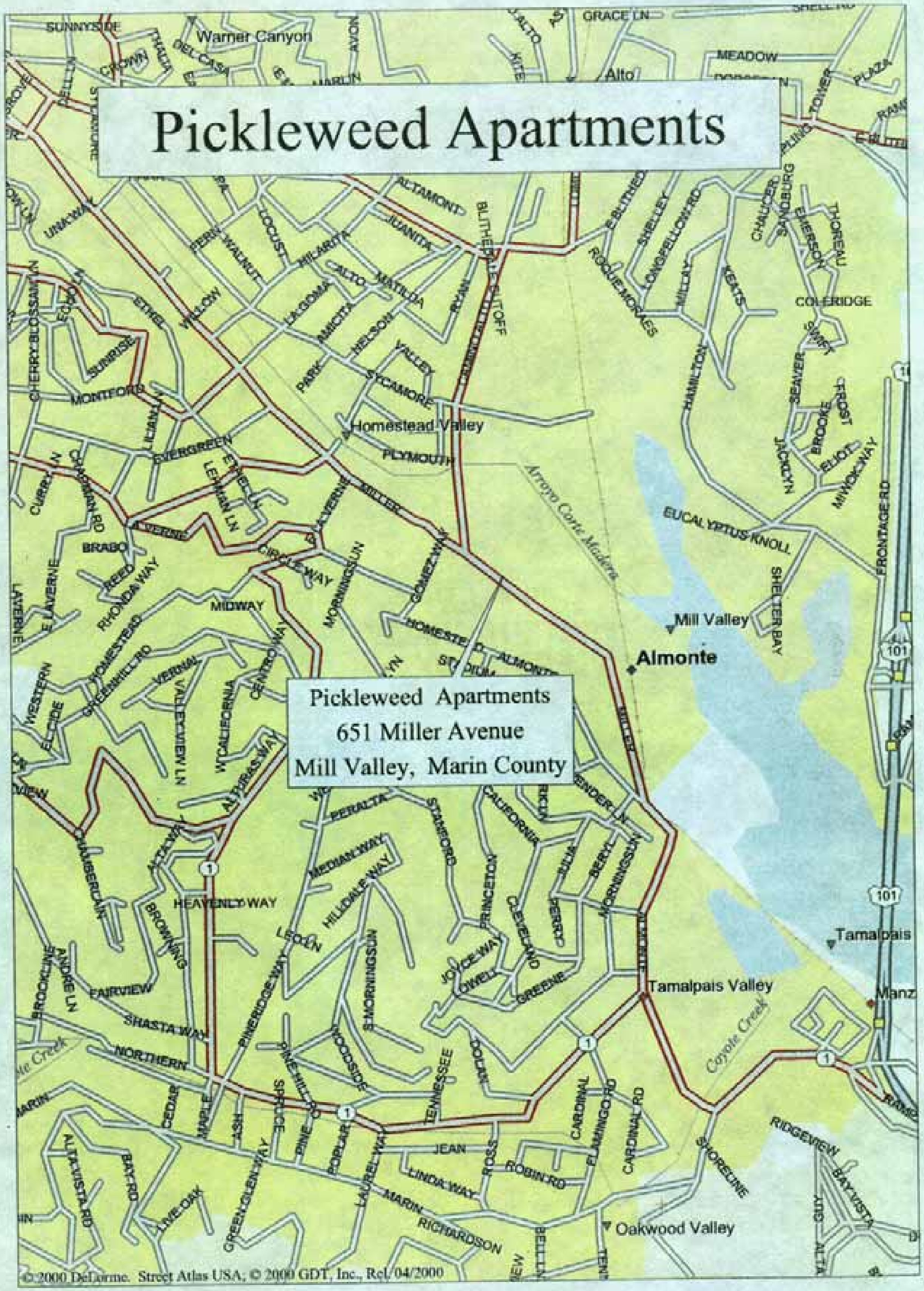
Pickleweed Apartments
Pickleweed Apartments
651 Miller Avenue
Mill Valley, Marin County
Lokoya
Waldrue Heights
Salvador
Tomales
Petaluma
Big Bend
Suscol
Walker Creek
Buchli
Napa Junction
Collins
Marshall
Burdell
San Pablo Bay N W R
Tomales Bay State Park
Guadalcanal Village
Novato
Vallejo
Inverness
Ignacio
Crockett
Inverness Park
Point Reyes Station
Rodeo
San Geronimo
Woodacre
Terra Linda
Hercules
Lagunitas
Santa Venetia
Giant
Pinole
Point Reyes National Seashore
Fairfax
Ross
El Sobrante
North Richmond
Woodville
Larkspur
East Richmond
Mt Tamalpais Game Refuge
Stinson Beach
Corte Madera
Almonte
Albany
Orinda
Hill 640 Military Reservation
Marin City
Berkeley
Frank Valley Military Reservation
Sausalito
Glorietta
Marin Headlands State Park
Canyon
San Francisco
Alameda
Daly City
Thornton Beach State Park
San Bruno Mountain State Park
OAK
San Bruno
Rockaway Beach
Pacifica
Millbrae
Baumberg
Shelter Cove
Hillsborough
Foster City
Montara
Moss Beach
Princeton
El Granada
Redwood City
Half Moon Bay
Woodside
Atherton
Adobe Corner
Stanford


Pickleweed Apartments
Pickleweed Apartments
651 Miller Avenue
Mill Valley, Marin County
Warner Canyon
Alto
Homestead Valley
Mill Valley
Almonte
Tamalpais Valley
Tamalpais
Oakwood Valley
Arroyo Corte Madera
Coyote Creek
MILLER
EUCALYPTUS KNOLL
SHELTER BAY
FRONTAGE RD
HEAVENLY WAY
MIDWAY
SHORELINE
RIDGEVIEW
NORTHERN
SHASTA WAY
FAIRVIEW
JEAN
ROBIN RD
LINDA WAY
MARIN
RICHARDSON
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RESOLUTION 01-26

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Alto Station, Inc., a California nonprofit public benefit 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 32-unit multifamily housing development located in the City of Mill Valley to be known as Pickleweed Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 7, 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 June 7, 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 | MORTGAGE AMOUNTS |
|---|---|---|---|
| 00-038-N | Pickleweed Apartments<br>Mill Valley/Marin | 32 | $1,805,000 |

2. 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 increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily 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 01-26 adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento. California.

ATTEST:______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

## Final Commitment

**Bridgeport - CHFA # 01-018-N**
**Cape Cod - CHFA # 01-013-N**
**Willard - CHFA # 01-019-N .**
**Willow I - CHFA # 01-009-N**
**Willow II - CHFA # 01-010-N**

## SUMMARY

This is a final commitment request for tax-exempt first mortgage loan fundings, for five (5) properties, in the aggregate amount of Six Million Sixty Thousand Dollars ($6,060,000). The properties are owned by a non-profit entity that is seeking funds for project renovation and to refinance existing mortgage indebtedness. Interim funding for renovation will be provided by a line of credit from an institutional investor, and secured by other assets of the sponsoring non-profit. Upon completion of renovation the loan proceeds from the California Housing Finance Agency ("CHFA" or "Agency") will be funded to repay the outstanding credit line and other permitted expenditures; with the balance of funds utilized for repayment of existing mortgage indebtedness. Any indebtedness not repaid, as well as any regulatory constraints or other secured interests, will be subordinated to the CHFA regulatory agreements and deeds of trust. Scheduled payments may be requested by the subordinate lenders, however, these secondary loans will contain residual receipt provisions in the event project cash flow is not available.

## LOAN TERMS

**First Mortgage Loan**

| | |
|---|---|
| Bridgeport | $ 2,050,000 |
| Cape Cod | $ 2,000,000 |
| Willard | $ 1,150,000 |
| Willow I | $ 335,000 |
| Willow II | $ 525,000 |

**Interest Rate** 6.0%

**Term** 20 year fixed, fully amortized

**Financing** 501(c)(3) Tax-Exempt

## LOCALITY INVOLVEMENT

At the present time all of the properties have financing from the Department of Housing, City of San Jose ("DHSJ"). Approximately $ 967,000 will be repaid to DHSJ from CHFA loan proceeds.

Upon funding of the CHFA loans, secondary financing will be:

Bridgeport – State of California HCD - $1,405,000

Cape Cod – Department of Housing, City of San Jose - $1,007,000

Willard – Department of Housing, City of San Jose - $358,000

Willow I - Department of Housing, City of San Jose - $40,000

Willow II – Department of Housing, City of San Jose - $80,000

DHSJ will fund $120,000 for seismic retrofit of Willow I and Willow II.

**All** of the DHSJ loans will be for a term of twenty **(20)** years with residual payments at four percent **(4%)** simple interest. The existing loans on Cape Cod and Willard will have to be changed from a fixed to a residual payment structure and require the approval of the San Jose City Council.

The HCD loan is interest only at three percent (3%) simple interest for thirty years. The loan matures in September **2020,** at which time principal and all accrued interest are due and payable.

The DHSJ and HCD loans (deeds of trusts, regulatory constraints, other secured interests, etc) will be subordinated to the CHFA regulatory agreements and deeds of trust.

## MARKET

### Market Overview

The subject properties are situated in the city of San Jose, Santa Clara County, California. Santa Clara County is southern most county of a nine-county area commonly known as the San Francisco Bay Area. Santa Clara is the fifth largest county in the State of California, and the most populous county in the area, with an estimated 2000 population of 1,755,300. Bay area population, according to the Association of Bay Area Governments ("ABAG") exceeds 6.9 million persons, with a 2010 population estimate of over 7.5 million.

In 2000 there were approximately 1,077,200 jobs in Santa Clara County. The major industries are services, manufacturing and retail trade. Government is the fourth largest sector representing approximately 9% of the work force. The Bay Area economy has shifted from goods producing to service oriented activities. Activities such as agriculture, construction, business, professional and other services have become relatively less important, while trade, finance, government, business, professional and other services have grown in prominence. The primary form of manufacturing that has historically been strong in the area results from technology related industries. While high technology jobs will continue to drive the county's economy the more mature portion of the industry will add fewer jobs and may choose to locate new manufacturing facilities in locations with lower costs. From 2000 to 2010 Santa Clara County is expected to add about 140,000 new jobs.

A network of major freeways serves the region. The Bayshore Freeway (U.S 101) and Interstate 280 run northerly to San Francisco. U.S. 101 continues south through Gilroy and on to Southern California. Interstate 880 extends north and runs along the eastern side of the San Francisco Bay connecting to Oakland and eventually to Interstate 80, which runs east to Sacramento and across the country. Interstate 680 travels north and runs along the eastern side of the East Bay Hills, also connecting to 1-80 as well as 1-580.

In addition to the extensive freeway system, CalTrain provides commuter service up the peninsula to San Francisco, and southerly to Gilroy. Santa Clara County transit District has a bus service throughout the area and one light rail train rout route serving the cities of San Jose and Santa Clara. The County transit District also has a connecting bus service to the Bay Area Rapid Transit system ("BART') in Fremont. BART caries passengers throughout the Bay Area, east to Concord and Bay Point, north to Richmond, west to Daly city and south to Fremont. San Jose International Airport, three miles form downtown San Jose, is serviced by 13 airlines as well as being the west coast hub for American Airlines. San Francisco International airport is approximately miles to the north along U.S. 101. AMTRAK has daily train service to Los Angeles and Seattle, with connecting service to Chicago from Sacramento.

Santa Clara County has the highest mean household income in the Bay Area at approximately $86,300 (ABAG projection 2000). ABAG projects the household income to increase to approximately $91,900 by 2005. Santa Clara County is expected to maintain first place in the Bay Area in terms of household income.

The City of San Jose is Santa Clara County's largest city. It is the County seat of Santa Clara County. It is the 3rd largest city in the State of California, and ranked 11th largest city in the U.S. In 2000, San Jose's population was 972,200 or 55% of the county total. San Jose is bounded on the north by the City of Santa Clara and Milpitas, to the south by Morgan Hill, and to the west by Saratoga, Los Gatos and Campbell. Physically, San Jose is generally built up with industrial development along the northern and southern boundaries, with newer industry developing in the southern portion of the city. Moving east from the Bay and the industrial development are older single and multifamily dwellings with commercial areas interspersed throughout. Hills surround the eastern and western portions of San Jose and are generally developed with average to good single-family residences. Downtown, and in the Willow Glen neighborhood, remain dominated by older housing. Housing stock is generally older ranging from 20 to 80 years, and neighborhoods reflect a variety of levels of maintenance. The southeast hill area is currently being developed with high-end single-family homes.

## Market Demand

Estimates from the Association of Bay Area Governments (ABAG) indicate a 2000 San Jose population of 972,200, and a 2005 population of 1,019,700; a **4.9%** increase in five years. The mean family income in San Jose in 2000 was estimated to be approximately $76,000 annually, well below the countywide average of $86,300. ABAG projects the median income in San Jose to increase to $81,200 by the year 2005, and to $85,800 by the year 2010.

## Housing Supply

The increase in population coupled with coupled with a corresponding increase in employment has caused a high demand for housing. The competition for residential land in the region is stiff, with a concurrent effect on residential land prices. The increase in housing prices has further exacerbated the shift in population from the central' areas (where housing prices are higher), to outlying areas (where housing prices are lower)

The average home price in San Jose is $465,000.

There is a wide variety of residential development in the San Jose area. Single-family homes dominate, followed by multi-family dwellings of duplexes and triplexes as well as large mulit-family developments. Home ownership in San Jose is approximately 59% of the population

The City of San Jose reports 31 affordable rental housing for families as of January 2001, containing 3,565 units. There are 21 affordable senior projects. Additionally there are 20 Low Income Housing Tax Credit projects in San Jose totaling 1,911 units. All of the projects report high demand and waiting lists. It is noted that these are not the only source of housing for low and moderate-income households; due to the varying age of the housing stock, older product is usually at the lower end of the rental range.
According to the City Planning Department, there are a total of 618 residential units in planning for next year. At the end of December 2000, area occupancy averaged 97.6%. Rents in the Bay Area, Santa Clarita County and the City of San Jose continue to increase, although the pace of increases appears to be slowing. Vacancy rates in some parts of the Bay Area are beginning to increase, however San Jose remains low. Due to the projected increase in the population and the number of households, there appears to be adequate demand for the potential supply.

## OCCUPANCY RESTRICTIONS

| | |
|---|---|
| **CHFA** | 20% of the units will be restricted at 50% or less of AMI<br>80% of the units will be restricted at 80% or less of AMI. |
| **DHSJ** | The San Jose Department of Housing regulatory terms will be co-terminus with the CHFA loan / regulatory term (twenty years) |

**Bridgeport – Willow I – Willow II**
**20%** of the units will be restricted at 50% or less of AMI
80% of the units will be restricted at 80% or less of AMI.

**Cape Cod**
**28%** of the units will be restricted at 50% or less of AMI
72% of the units will be restricted at 80% or less of AMI

**Willard**
100% of the units will be restricted at 50% or less of AMI

**HCD** The State of California Department of Housing and Community Development "California Housing Rehabilitation Program-Rental Component" Regulatory Agreement is for a term of fifty (50) years commencing September 1990.

**Bridgeport**
**25%** of the units are restricted at 50% or less of AMI
**75%** of the units are restricted at 80% or less of AMI

The Department of Housing, City of San Jose regulatory agreements, and the State of California HCD regulatory agreement will be subordinated to the California Housing Finance Agency's regulatory agreements and deeds of trusts

## ARTICLEXXXIV

San Jose has sufficient Article XXXIV referendum authority. A satisfactory opinion letter will be required prior to permanent loan funding

## DEVELOPMENT THCDEAM

### Borrower's Profile

It is anticipated that each property will have as its borrowing entity a single-asset 501(c)(3) corporation, of which Community Housing Developers ("CHD"), a non-profit public benefit corporation, will be the affiliate or parent corporation. CHFA may wish to allow a single affiliated non-profit entity to own and operate all five projects. A final determination will be made prior to permanent loan close.

Bridgeport, Inc
Cape Cod, Inc
Willard, Inc,
Willow I, Inc
Willow II, Inc

Community Housing Developers

Community Housing Developers, Inc. ("CHD") is a private, tax-exempt non-profit housing Provider based in San Jose, California. Since its inception twenty **(20)** years ago, CHD has developed 368 for-sale residential units; 335 rental units, and has acquired and rehabilitated 418 rental units. CHD's mandate is to increase and maintain the supply of affordable housing for low-and moderate-income residents in Santa Clara County.

**Management Agent**

The John Stewart Company

The John Stewart Company ("JSC") was incorporated in 1978. In its twenty-three (23) year history the company has grown to over 800 employees with a management portfolio which now exceeds 20,000 units in over 160 properties primarily Northern California. JSC areas of expertise include project acquisition, rehabilitation, syndication, management, consulting, marketing, and development activities. The company has been instrumental in building relationships with non-profit entities, public agencies and private lenders to create unique project owner partnerships, infusing private investor capital into new, existing and some troubled projects to create and preserve sound, long-term affordable housing.

For the past three years The John Stewart Company has managed for Community Housing Developers twenty-three **(23)** properties containing a total of 436 units.

# Bridgeport
# 3678 & 3679 Bridgeport Court
# San Jose, CA 95117
# CHFA # 01-018-N

\

An existing twenty-eight (28) unit apartment complex consisting of 28 three-bedroom units. The project was constructed in 1964.

## Project Location

The subject is located in the western area of San Jose. The neighborhood is bounded by 1-280 Freeway to the north, the city of Campbell to the South, the San Tomas Expressway to the east, and the Lawrence Freeway to the west. The area is generally improved with single-family detached style homes, interspersed with multifamily and commercial uses along the arterial streets. San Jose city College is located approximately 2 miles northeast. Westgate Shopping Center is located 1.25 miles southwest along Saratoga Avenue. The land uses are compatible with the existing use of the site and the scale of the use matches the general scale of the neighborhood.

## Site

The subject is located on a cul-de-sac at the east end of Bridgeport Court. The site contains approximately 1.06 acres and is nearly rectangular in shape with a cutout for the end of the cul-de-sac. The site has approximately 100 feet of frontage along Bridgeport Court. Bridgeport Court to the west is improved with multifamily apartment buildings of comparable age, utility and appeal to the subject. Along the subjects eastern boundary the site backs up to a storm drainage ditch and the San Tomas Expressway. To the north, across an alleyway are multifamily structures. To the south is the Cape Cod Apartments with primary public street access via Cape Cod Court.

## Improvements

The site is improves with two 2-story walk-up garden-style apartment buildings of average quality and containing twenty-eight 3 bedroom, 2 bath apartment units. Construction type is wood frame and with stucco with brick veneer. Gross building area is approximately ***29,585*** square feet, which includes a maintenance building (former pool building). A swimming pool has been back-filled with sand and tot lot play equipment has been installed. There are thirty-three parking spaces, which appear to be tight but typical of similar aged projects in the area.

## PROJECT FEASIBILITY

Market rate rents for comparable properties average **$2,185** for a three-bedroom unit.

Projected rents for the subject average **$1,008** for a three-bedroom unit.

| Unit Type | Subject | Market Rate Average | $ Difference | % Market |
|---|---|---|---|---|
| Three Bedroom | | $2.185 | | |
| | | | | |

## ENVIRONMENTAL

EMG conducted a Phase I Environmental Site Assessment on May 17, 2001. Areas of investigation included Project Location/Description; Historical Review; Operational Activities: Hazardous Materials; Waste Generation; PCBs; Asbestos; Radon; Lead-Based Paints; Tanks/Pipelines; surface Areas; Regulatory Database Review; and Adjacent Properties. Suspect Asbestos Containing Material ("ACM") in the form of roofing materials, vinyl flooring, electrical cable covering. Ceiling texture, wallboard/joint compound and stucco were identified. The report concluded that the identified asbestos containing ceiling texture and suspect ACM in the form of roofing materials and electrical wiring insulation to be in good condition and can be maintained in place if an Operations and Maintenance ("O & M") Program is developed and implemented. A properly designed O & M Program is sufficient to maintain the project in accordance with current regulatory standards and sound business practices. The report identifies no further adverse conditions and no further action or investigation is recommended

## PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

A Physical Needs Assessment, Structural Pests Inspection, and Seismic Inspection were conducted at the property. Utilizing these reports a scope of work was established.

Salient Scope of Work Items Include

Roof replacement / repair

Inspection /replacement, as needed, of water lines
Items of Health & Safety and Energy Conservation

Development and implementation of a Operations and Maintenance ("O&M") Program for asbestos-containing materials

Implementation of recommendations contained in Structural Pest Report

Implementation of other recommendations, as contained in the Physical Needs Assessment Report

# Project Summary

Date: 5-Jun-01

## Project Profile:

| | | | |
|---|---|---|---|
| *Pmject* : | Bridgeport | *Appraiser:* | Kathryn Sturgis-Bright |
| *Location:* | 3678 Bridgeport Ct | | Sturgis-Bright & Assoc |
| | San Jose | *Cap Rate:* | 6.00% |
| *County/Zip:* | Santa Clara 95117 | *Market:* | $ 3,500,000 |
| *Borrower:* | Bridgeport, Inc | *Income:* | $ 3,500,000 |
| | Community Hsg Developers | *Final Value:* | $ 3,500,000 |
| | | ***LTC/LTV:*** | |
| *Program:* | Tax Exempt 501(c)(3) | *Loan/Cost* | 100% |
| *CHFA #* : | 01-018-N | *Loan/Value* | 58.6% |

## Project Description:

| | |
|---|---|
| *Units* | 28 |
| *Handicap Units* | 1 |
| *Bldg. Type* | Rehabilitation |
| *Buildings* | 2 |
| *Stories* | 2 |
| *Gmss Sq Ft* | 27,440 |
| *Land Sq Ft* | 46,174 |
| *Units/Acre* | 26.42 |
| *Total Parking* | 22 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | S 2,050,000 | S 73,214 | 6.00% | 20 |
| State of California HCD | $ 1,405,000 * | $ 50,179 | 0.00% | |
| | S | | | |
| | $ | S | | |
| | $ | S | | |
| | S | $ | | |
| | $ | $ | | |
| | S | S | | |
| | $ | S | | |
| | S - | $ | | |
| CHFA Bridge | S - | S | | |
| CHFA HAT | $ - | $ | | |

* Remaining Balance

## Unit Mix:

| Type | Size | Number | AMI | Rent | Max Income |
|---|---|---|---|---|---|
| | | | | | |
| 3 BR | | 28 | 50% | $1,008 | $43.500 |
| | | | | | |
| | | 28 | | | |

## Fees, Escrows and Reserves:

| Fees, Escrows and Reserves | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | 520,500 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $20,500 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $20,500 | Letter of Credit |
| Rent Up Reserve | 0.00% | of Gross Income | SO | 0 |
| Utility Stablization Reserve | 150.00% | of Project Utility | $37,050 | Cash |
| Marketing Reserve | 0.00% | of Gross Income | SO | 0 |
| Annual Replacement Reserve Deposit | | | $8.850 | Operations |
| Initial Deposit to Replacement Reserve | | | $28,000 | Cash |
| Construction Defects Agreement | 0.00% | Hard Costs | SO | 0 |

# Sources and Uses

Bridgeport



## SOURCES:

| *Name of Lender / Source* | Amount | $per unit |
| --- | --- | --- |
| CHFA First Mortgage | 2,050,000 | 73,214 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | |
| 0 | 0 | 0 |
| **Total Institutional Financing** | **2,050,000** | **73,214** |
| | | |
| ***Equity Financing*** | | |
| Borrowers Cash Contribution | 0 | 0 |
| Deferred Developer Fee | - | |
| Tax Credit Equity | 0 | 0 |
| **Total Equity Financing** | **0** | **0** |
| | | |
| **TOTAL SOURCES** | **2,050,000** | **73,214** |

## USES:

| | | |
| --- | --- | --- |
| Washington Mutual | 698,103 | 24,932 |
| State of California HCD | 358,126 | 12,790 |
| City of San Jose | 364,142 | 13,005 |
| Acquisition | 0 | 0 |
| Rehabilitation | 420,000 | 15,000 |
| New Construction | 0 | 0 |
| Architectual Fees | 0 | 0 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest & Fees | 21,840 | 780 |
| Permanent Financing Fees | 56,000 | 2,000 |
| Legal Fees | 5,000 | 179 |
| Reserves | 65,050 | 2,323 |
| Contract Costs | 12,500 | 446 |
| Construction Contingencies | 39,239 | 1,401 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | 0 | 0 |
| **PROJECT COSTS** | **2,040,000** | **72,057** |
| | | |
| Developer Fee | 10,000 | 357 |
| Project Administration | 0 | 0 |
| Consultant/Processing Agent | 0 | 0 |
| | | |
| **TOTAL USES** | **2,050,000** | **73,214** |

## Annual Operating Budget — Bridgeport

| | | % of total | $ per unit |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental Income | 338,688 | 98.8% | 12,096 |
| Laundry | 2,520 | 0.7% | 90 |
| Other Income | 1,680 | 0.5% | 60 |
| **Gross Potential Income (GPI)** | **342,888** | **100.0%** | **12,246** |
| **Less:** | | | |
| Vacancy Loss | 17,144 | 5.0% | 612 |
| **Total Net Revenue** | **325,744** | **95.0%** | **11,634** |
| **EXPENSES:** | | | |
| Payroll | 30,190 | 9.8% | 1,078 |
| Administrative | 26,729 | 8.7% | 955 |
| Utilities | 24,700 | 8.0% | 882 |
| Operating and Maintenance | 23,177 | 7.5% | 828 |
| Insurance and Business Taxes | 12,270 | 4.0% | 438 |
| Taxes and Assessments | 6,120 | 2.0% | 219 |
| Reserve for Replacement Deposits | 8,850 | 2.9% | 316 |
| **Subtotal Operating Expenses** | **132,036** | **42.8%** | **4,716** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 176,242 | 57.2% | 6,294 |
| **Total Financial** | **176,242** | **57.2%** | **6,294** |
| **Total Project Expenses** | **308,278** | **100.0%** | **11,010** |

## Cash Flow — Bridgeport — CHFA # 01-018-N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year7 | Year8 | 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 | 338,688 | 347,155 | 355,834 | 364.730 | 373.848 | 383.194 | 392.774 | 402.594 | 412.658 | 422,975 |
| **TOTAL RENTAL INCOME** | 338,688 | 347,155 | 355.834 | 364,730 | 373,848 | 383,194 | 392,774 | 402,594 | 412,658 | 422,975 |
| **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 | 2,520 | 2.583 | 2.648 | 2.714 | 2.782 | 2.851 | 2,922 | 2.995 | 3,070 | 3.147 |
| Other Income | 1.680 | 1,722 | 1,765 | 1,809 | 1.854 | 1,901 | 1.948 | 1,997 | 2.047 | 2.098 |
| **TOTAL OTHER INCOME** | 4,200 | 4,305 | 4,413 | 4,523 | 4,636 | 4,752 | 4,871 | 4,992 | 5,117 | 5,245 |
| **GROSS INCOME** | 342,888 | 351,460 | 360,247 | 369,253 | 378,484 | 387,946 | 397,645 | 407,586 | 417,776 | 428,220 |
| ***Vacancy Rate : Market*** | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| ***Vacancy Rate :Affordable*** | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 17.144 | 17,573 | 18,012 | 18.463 | 18.924 | 19,397 | 19.882 | 20.379 | 20.889 | 21.411 |
| **EFFECTIVE GROSS INCOME** | 325,744 | 333,807 | 342,234 | 350.790 | 359.560 | 368,549 | 377.763 | 387,207 | 396.887 | 406.809 |
| **OPERATING EXPENSES** | | | | | | | | | | 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 | 117.986 | 122,705 | 127.614 | 132.718 | 138,027 | 143,548 | 149,290 | 155,262 | 161,472 | 167.931 |
| Replacement Reserve | 8.850 | 8.850 | 8.850 | 8,850 | 8,850 | 9.293 | 9,293 | 9.293 | 9.293 | 9.293 |
| ***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 | 5,200 | 5.304 | 5.410 | 5.518 | 5.629 | 5.741 | 5.856 | 5.973 | 6.093 | 6.214 |
| **TOTAL EXPENSES** | 132.036 | 136,859 | 141,874 | 147,086 | 152.506 | 158.582 | 164,438 | 170.527 | 176,857 | 183.438 |
| **NET OPERATING INCOME** | 193.708 | 197,028 | 200,361 | 203,704 | 207,054 | 209,967 | 213,324 | 216,680 | 220,030 | 223,371 |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 176,242 | 176,242 | 176.242 | 176.242 | 176.242 | 176.242 | 176.242 | 176,242 | 176.242 | 176.242 |
| CHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| **CASH FLOW after debt service** | 17,466 | 20,786 | 24,119 | 27,462 | 30,812 | 33,725 | 37,082 | 40,430 | 43,788 | 47,129 |
| **DEBT COVERAGE RATIO** | 1.10 | 1.12 | 1.14 | 1.16 | 1.17 | 1.19 | 1.21 | 1.23 | 1.25 | 1.27 |

## Cash Flow

| RENTAL JNCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year20 |
|---|---|---|---|---|---|---|---|---|---|---|
| *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 | 433.549 | 444.388 | 455.498 | 466.885 | 478.557 | 490,521 | 502.784 | 515.354 | 528.238 | 541,444 |
| TOTAL RENTAL INCOME | 433,549 | 444.388 | 455,498 | 466,885 | 478,557 | 490,521 | 502,784 | 515,354 | 528.238 | 541,444 |
| | | | | | | | | | | |
| **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 | 3.226 | 3.306 | 3.389 | 3,474 | 3.561 | 3,650 | 3.741 | 3.834 | 3.930 | 4.029 |
| Other *Income* | 2,151 | 2,204 | 2,259 | 2.316 | 2,374 | 2,433 | 2.494 | 2,556 | 2,620 | 2.686 |
| TOTAL OTHER INCOME | 5,376 | 5.511 | 5,649 | 5,790 | 5.934 | 6,083 | 6,235 | 6,391 | 6.551 | 6,714 |
| | | | | | | | | | | |
| GROSS INCOME | 438,926 | 449,899 | 461,146 | 472,675 | 484,492 | 496,604 | 509.019 | 521,745 | 534,788 | 548,158 |
| | | | | | | | | | | |
| *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 | 21,946 | 22.495 | 23.057 | 23,634 | 24.225 | 24,830 | 25.451 | 26.087 | 26,739 | 27.408 |
| EFFECTIVE GROSS INCOME | 416,979 | 427,404 | 438,089 | 449,041 | 460,267 | 471,774 | 483.568 | 495.657 | 508,049 | 520,750 |
| | | | | | | | | | | |
| OPERATING EXPENSES | | | | | 15 | | | | | 20 |
| *Annual Expense Increase* | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Expenses | 174.648 | 181.634 | 188,899 | 196,455 | 204.314 | 212.486 | 220,986 | 229.825 | 239.018 | 248.579 |
| Replacement Reserve | 9.757 | 9,757 | 9.757 | 9.757 | 10,245 | 10.245 | 10,245 | 10,245 | 10.245 | 10.757 |
| *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 | 6,339 | 6.466 | 6,595 | 6.727 | 6.861 | 6.999 | 7.138 | 7,281 | 7.427 | 7.575 |
| TOTAL EXPENSES | 190,744 | 197,857 | 205,251 | 212.939 | 221,420 | 229,730 | 238,369 | 247.351 | 256,690 | 266.911 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 226,235 | 229.547 | 232,838 | 236.102 | 238,847 | 242.044 | 245,199 | 248,306 | 251.359 | 253.839 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 176,242 | 176.242 | 176.242 | 176.242 | 176.242 | 176,242 | 176.242 | 176.242 | 176,242 | 176,242 |
| CHFA - Bridge Loan | | | | | | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | | | | | | | | | | |
| CASH FLOW after debt service | 49.993 | 53,305 | 56,596 | 59,860 | 62,605 | 65,802 | 68,957 | 72,064 | 75.117 . | 77,597 |
| DEBT COVERAGE RATIO | 1.28 | 1.30 | 1.32 | 1.34 | 1.36 | 1.37 | 1.39 | 1.41 | 1.43 | 1.44 |

**Cape Cod**
**3680 & 3681 Cape Cod Court**
**San Jose, CA 95117**
**CHFA # 01-013-N**

An existing twenty-eight **(28)** unit apartment complex consisting of **28** three-bedroom units. The project was constructed in 1964.

## Project Location

The subject is located in the western area of San Jose. The neighborhood is bounded by **1-280** Freeway to the north, the city of Campbell to the South, the San Tomas Expressway to the east. and the Lawrence Freeway to the west. The area is generally improved with single-family detached style homes, interspersed with multifamily and commercial uses along the arterial streets. San Jose city College is located approximately **2** miles northeast. Westgate Shopping Center is located **1.25** miles southwest along Saratoga Avenue. The land uses are compatible with the existing use of the site and the scale of the use matches the general scale of. the neighborhood.

## Site

The subject is located on a cul-de-sac at the east end of Cape Cod Court. The site contains approximately **1.07** acres and is nearly rectangular in shape with a cutout **for** the end of the cul-de-sac. The site has approximately 100 feet of frontage along Cape cod Court. Cape Cod Court to the west is improved with multifamily apartment buildings of comparable age, utility and appeal to the subject. Along the subjects eastern boundary the site backs up to a storm drainage ditch and the San Tomas Expressway. To the north is the Bridgeport Apartments with primary public street access via Bridgeport Court. To the south, across an alleyway are multifamily structures.

## Improvements

The site is improves with two 2-story walk-up garden-style apartment buildings of average quality and containing twenty-eight **3** bedroom, **2** bath apartment units. Construction type is wood frame and with stucco with brick veneer. Gross building area is approximately 29,008 square feet. There are thirty-three parking spaces, which appears to be tight but typical of similar aged projects in the area.

## PROJECT FEASIBILITY

Market rate rents for comparable properties average $2,185 for a three-bedroom unit.

Projected rents for the subject average $995 for a three-bedroom unit.

### Rent Differentials (Market versus Restricted)

| Unit Type | Subject | Market Rate Average | $ Difference | % Market |
|---|---|---|---|---|
| **Three Bedroom** | | $2,185 | | |
| **50%** | $ 995 | | $ 1,190 | **46%** |

## ENVIRONMENTAL

**EMG** conducted a Phase I Environmental Site Assessment on May 17, 2001. Areas of investigation included Project Location/Description; Historical Review; Operational Activities: Hazardous Materials; Waste Generation; PCBs: Asbestos; Radon; Lead-Based Paints: Tanks/Pipelines: surface Areas; Regulatory Database Review; and Adjacent Properties. Suspect Asbestos Containing Material ("ACM") in the form of roofing materials, vinyl flooring. electrical cable covering. Ceiling texture, wallboard/joint compound and stucco were identified. The report concluded that the identified asbestos containing ceiling texture and suspect ACM in the form of roofing materials and electrical wiring insulation to be in good condition and can be maintained in place if an Operations and Maintenance ("O & M") Program is developed and implemented. **A** properly designed **O** & M Program is sufficient to maintain the project in accordance with current regulatory standards and sound business practices. The report identifies no further adverse conditions and no further action or investigation is recommended.

## PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

A Physical Needs Assessment, Structural Pests Inspection, and Seismic Inspection were conducted at the property. Utilizing these reports a scope of work was established

Salient Scope of Work Items Include

Roof replacement / repair

Inspection /replacement, as needed, of water lines

Items of Health & Safety and Energy Conservation

Development and implementation of a Operations and Maintenance ("O&M") Program for asbestos-containing materials

Implementation of recommendations contained in Structural Pest Report

Implementation of other recommendations, as contained in the Physical Needs Assessment Report

# Project Summary

**Date:** 5-Jun-01

## Project Profile:

| | | | |
|---|---|---|---|
| *Project:* | Cape Cod | *Appraiser.* | Kathryn Sturgis-Bright |
| *Location:* | 3681 Cape Cod Ct | | Sturgir-Bright & Assoc |
| | San Jose | *Cap Rate:* | 6.00% |
| *County/Zip:* | Santa Clara 95117 | *Market:* | $ 3,500,000 |
| *Borrower.* | Cape Cod, Inc | *Income:* | $ 3,500,000 |
| | Community Hsg Developers | *final Value:* | $ 3,500,000 |
| | | ***LTC/LTV:*** | |
| *Program* | Tax Exempt 501(c)(3) | *Loan/Cost* | 100% |
| *CHFA #:* | 01-013-N | *Loan/Value* | 57.1% |

## Project Description:

| | |
|---|---|
| *Units* | 28 |
| *Handicap Units* | 1 |
| *Bldg. Type* | Rehabilitation |
| *Buildings* | 2 |
| Stories | 2 |
| *Gross Sq Ft* | 29.008 |
| *Land Sq Ft* | 46.609 |
| *Units/Acr@* | 26.17 |
| *Total Parking* | 34 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $ 2,000,000 | 8 71,429 | 6.00% | 20 |
| City of San Jose | $ 1,006,610 * | $ 35,950 | 0.00% | - |
| | $ | 8 | | - |
| | $ | $ | | - |
| | S | $ | | - |
| | $ | $ | | - |
| | $ | $ | | - |
| | $ | $ | | |
| | $ - | $ - | | |
| CHFA Loan to Lender | $ - | $ - | | |
| CHFA Bridge | $ - | $ - | | |
| CHFA HAT | $ - | $ - | | |

*Remaining Balance

## Unit Mix:

| Type | Size | Number | AMI | Rent | Max Income |
|---|---|---|---|---|---|
| | | | | | |
| 3 BR | | 28 | 35% | $995 | $30,450 |
| | | | | | |
| | | | | | |

## Fees, Escrows and Reserves:

| Fees, Escrows and Reserves | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | S20.000 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $20,000 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $20,000 | Letter of Credit |
| Rent Up Reserve | 0.00% | of Gross Income | S0 | 0 |
| Utility Stablization Reserve | 150.00% | of Project Utility | 549,200 | Cash |
| Marketing Reserve | 0.00% | of Gross Income | S0 | 0 |
| Annual Replacement Reserve Deposit | | | S8.400 | Operations |
| Initial Deposit to Replacement Reserve | | | 528,000 | Cash |
| Construction Defects Agreement | 0.00% | Hard Costs | $0 | 0 |

**SOURCES:**

| ***Name of Lender / Source*** | **Amount** | $ per **unit** |
|---|---|---|
| CHFA First Mortgage | 2,000,000 | 71,429 |
| 0 | 0 | 0 |
| 0 | 0 | *0* |
| | **0** | **0** |
| *0* | *0* | *0* |
| *0* | **0** | |
| *0* | **0** | **0** |
| **Total Institutional Financing** | **2,000,000** | **71,429** |
| ***Equity Financing*** | | |
| Borrowers Cash Contribution | 0 | 0 |
| Deferred Developer Fee | - | |
| Tax Credit Equity | 0 | 0 |
| **Total Equity Financing** | **0** | **0** |
| **TOTAL SOURCES** | **2,000,000** | **71,429** |

**USES:**

| | | |
|---|---|---|
| SAMCO | 1,178,418 | 42,086 |
| City of San Jose | 193,390 | 6,907 |
| | 0 | 0 |
| Acquisition | 0 | 0 |
| Rehabilitation | 420,000 | 15,000 |
| New Construction | 0 | 0 |
| Architectual Fees | 0 | 0 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest 8 Fees | 21,840 | 780 |
| Permanent Financing Fees | 55,000 | 1,964 |
| Legal Fees | 5,000 | 179 |
| Reserves | 77,200 | 2,757 |
| Contract Costs | 12,500 | 446 |
| Construction Contingencies | 26,652 | 952 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | **0** | **0** |
| PROJECT **COSTS** | **1,990,000** | **71,071** |
| Developer Fee | 10,000 | 357 |
| Project Administration | 0 | 0 |
| Consultant/Processing Agent | 0 | *0* |
| **TOTAL USES** | **2,000,000** | **71,429** |

## Annual Operating Budget — Cape Cod

| | | % of total | $ per unit |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental Income | 334,320 | 98.8% | 11,940 |
| Laundry | 2,520 | 0.7% | 90 |
| Other Income | 1,680 | 0.5% | 60 |
| **Gross Potential Income (GPI)** | 338,520 | 100.0% | 12,090 |
| **Less:** | | | |
| Vacancy Loss | 16,926 | 5.0% | 605 |
| **Total Net Revenue** | 321,594 | 95.0% | 11,486 |
| **EXPENSES:** | | | |
| Payroll | 30,685 | 10.1% | 1,096 |
| Administrative | 22,377 | 7.4% | 799 |
| Utilities | 32,800 | 10.8% | 1,171 |
| Operating and Maintenance | 19,665 | 6.5% | 702 |
| Insurance and Business Taxes | 14,182 | 4.7% | 507 |
| Taxes and Assessments | 4,337 | 1.4% | 155 |
| Reserve for Replacement Deposits | 8,400 | 2.8% | 300 |
| **Subtotal Operating Expenses** | 132,446 | 43.5% | 4,730 |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 171,943 | 56.5% | 6,141 |
| **Total Financial** | 171,943 | 56.5% | 6,141 |
| **Total Project Expenses** | 304,389 | 100.0% | 10,871 |

Cape Cod-@$15k 04032001.xls

**Cash Flow** Cape Cod CHFA # 01413-N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 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 | 334,320 | 342.678 | 351,245 | 360.026 | 369.027 | 378.252 | 387.709 | 397.401 | 407,336 | 417.520 |
| TOTAL RENTAL INCOME | 334,320 | 342,678 | 351,245 | 360,026 | 369.027 | 378,252 | 387,709 | 397,401 | 407,336 | 417,520 |
| | | | | | | | | | | |
| **OTHER INCOME** | | | | | | | | | | |
| *Other Inwme Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Laundry | 2,520 | 2,583 | 2.648 | 2.714 | 2.782 | 2.851 | 2.922 | 2.995 | 3.070 | 3,147 |
| Other Income | 1.680 | 1,722 | 1,765 | 1,809 | 1.854 | 1,901 | 1,948 | 1,997 | 2.047 | 2.098 |
| TOTAL OTHER INCOME | 4,200 | 4,305 | 4,413 | 4,523 | 4,636 | 4,752 | 4,871 | 4,992 | 5,117 | 5,245 |
| | | | | | | | | | | |
| GROSS INCOME | 338,520 | 346,983 | 355,658 | 364,549 | 373,663 | 383,004 | 392,579 | 402,394 | 412,454 | 422,765 |
| | | | | | | | | | | |
| *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 | 16.926 | 17.349 | 17.783 | 18,227 | 18.683 | 19,150 | 19.629 | 20.120 | 20.623 | 21,138 |
| EFFECTIVE GROSS INCOME | 321,594 | 329,634 | 337,875 | 346,322 | 354,980 | 363,854 | 372,950 | 382,274 | 391,831 | 401,627 |
| | | | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | | | 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 | 119.709 | 124,497 | 129.477 | 134.656 | 140.043 | 145,644 | 151.470 | 157,529 | 163.830 | 170.383 |
| Replacement Reserve | 8.400 | 8.400 | 8.400 | 8.400 | 8.400 | 8,820 | 8.820 | 8.820 | 8.820 | 8.820 |
| *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 | 4.337 | 4.424 | 4.512 | 4.602 | 4.695 | 4,788 | 4.884 | 4.982 | 5.081 | 5.183 |
| TOTAL EXPENSES | 132,446 | 137,321 | 142,389 | 147,659 | 153,137 | 159,253 | 165.174 | 171,331 | 177,732 | 184,386 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 189,148 | 192.313 | 195.485 | 198,663 | 201,843 | 204,601 | 207,776 | 210,944 | 214,100 | 217,241 |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 171,943 | 171,943 | 171.943 | 171,943 | 171.943 | 171,943 | 171.943 | 171.943 | | 171.943 |
| CHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| CASH FLOW after debt service | 17,205 | 20,369 | 23,542 | 26.719 | 29,899 | 32,658 | 35,833 | 39.000 | 214,100 | 45,297 |
| DEBT COVERAGE RATIO | 1.10 | 1.12 | 1.14 | 1.16 | 1.17 | 1.19 | 1.21 | 1.23 | N/A | 1.26 |

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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*** | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | 0.00% | *0.00%* | *0.00%* | *0.00%* |
| 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 | 427,958 | 438.657 | 449.623 | 460,864 | 472.385 | 484,195 | 496.300 | 508.707 | 521,425 | 534.461 |
| **TOTAL RENTAL INCOME** | 427,958 | 438,657 | 449,623 | 460,864 | 472.385 | 484,195 | 496,300 | 508,707 | 521,425 | 534,461 |
| | | | | | | | | | | |
| **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 | 3,226 | 3.306 | 3.389 | 3,474 | 3,561 | 3,650 | 3.741 | 3,834 | 3.930 | 4.029 |
| **Other** Income | 2.151 | 2.204 | 2.259 | 2.316 | 2.374 | 2,433 | 2.494 | 2,556 | 2.620 | 2.688 |
| **TOTAL OTHER INCOME** | 5,376 | 5,511 | 5,649 | 5,790 | 5,934 | 6,083 | 6,235 | 6,391 | 6,551 | 6,714 |
| | | | | | | | | | | |
| **GROSS INCOME** | 433,334 | 444,168 | 455,272 | 466,654 | 470,320 | 490,278 | 502,535 | 515,098 | 527,976 | 541,175 |
| | | | | | | | | | | |
| ***Vacancy Rare :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 | 21,667 | 22,208 | 22.764 | 23,333 | 23.916 | 24,514 | 25.127 | 25,755 | 26.399 | 27,059 |
| **EFFECTIVE GROSS INCOME** | 411,668 | 421,959 | 432,508 | 443.321 | 454,404 | 465,764 | 477.408 | 489.343 | 501,577 | 514,116 |
| | | | | | | | | | | |
| **OPERATING EXPENSES** | | | | | 15 | | | | | 20 |
| ***Annual Expense Increase*** | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%.* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 177,199 | 184.287 | 191,658 | 199.324 | 207.297 | 215.589 | 224,213 | 233,181 | 242.508 | 252.209 |
| Replacement Reserve | 9,261 | 9,261 | 9,261 | 9.261 | 9.724 | 9.724 | 9.724 | 9.724 | 9,724 | 10,210 |
| ***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 | 5.287 | 5,393 | 5,500 | 5.610 | 5.723 | 5.837 | 5.954 | 6.073 | 6.194 | 6.318 |
| **TOTAL EXPENSES** | 191.746 | 198.940 | 206.419 | 214.196 | 222.744 | 231.150 | 239.891 | 248.978 | 258.427 | 268.737 |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | 219.921 | 223.019 | 226.089 | 229.125 | 231.660 | 234.614 | 237.518 | 240.365 | 243.150 | 245.379 |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - **1st** Mortgage | | 171,943 | 171,943 | 171.943 | 171,943 | 171,943 | 171,943 | 171,943 | 171.943 | 171,943 |
| CHFA - Bridge Loan | | | | | | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | *0* | *0* | *0* | *0* | 0 | 0 | 0 |
| CHFA - HAT Loan | | | | | | | | | | |
| **CASH FLOW** after **debt service** | 219,921 | 51,076 | 54,145 | 57,182 | 59,717 | 62,670 | 65,574 | 68,422 | 71,207 | 73,436 |
| **DEBT COVERAGE RATIO** | N/A | 1.30 | 1.31 | 1.33 | 1.35 | 1.36 | 1.38 | 1.40 | 1.41 | 1.43 |

**Willard Apartments**
**521 - 525 S. Willard Av**
**San Jose, CA 95126**
**CHFA # 01-019-N**

An existing twenty (20) unit apartment complex consisting of 20 two-bedroom units. The project was constructed in 1959.

### Project Location

The subject is located in the western central area of San Jose known as the Buena Vista neighborhood. The neighborhood is bounded by San Carlos Street to the north, I-280 Freeway to the south. Highway 87 (Guadalupe Highway) to the east, and 1-880 to the west. The subject neighborhood is a pocket of multi-tenant residential buildings averaging 20 to 40 years of age. Shopping, employment centers, public transportation and freeway access are convenient to the site.

### Site

The subject is located on the west side of South Willard Avenue between Scott Street to the north. and to the south. The site is rectangular in shape with 134 feet of frontage along Willard Av, 152 feet in depth, and containing approximately 10,210 square fee, or 0.47 acres. Willard Avenue and the immediate area is a residential in character. The area immediately surrounding the subject is multifamily residential.

### Improvements

The site is improved with two 2-story walk-up garden-style apartment buildings of average quality and containing a total of twenty 2-bedroom apartment units. Construction type is wood frame and stucco of average quality. Gross building area is approximately 14,086 square feet. Common area amenities consist of a laundry room and on-site carport parking for fifteen vehicles. Parking appears to be tight but .typical of similar aged projects in the area. Project landscaping is minimal.

## PROJECT FEASIBILITY

Market rate rents for comparable properties average $1,710 for a two-bedroom unit. `

Projected rents for the subject average $851 for a two-bedroom unit.

### Rent Differentials (Market versus Restricted)

| Unit Type | Subject | Market Rate Average | $ Difference | % Market |
|---|---|---|---|---|
| **Two Bedroom** | | $ 1,710 | | |
| **50%** | $ 851 | | $859 | **50%** |

## ENVIRONMENTAL

EMG conducted a Phase I Environmental Site Assessment on May 17, 2001. Areas of investigation included Project Location/Description; Historical Review; Operational Activities; Hazardous Materials; Waste Generation; PCBs; Asbestos; Radon; Lead-Based Paints; Tanks/Pipelines; surface Areas; Regulatory Database Review; and Adjacent Properties. The report identifies no adverse conditions and concludes that no further action or investigation is recommended at this time.

## PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

A Physical Needs Assessment, Structural Pests Inspection, and Seismic Inspection were conducted at the property. Utilizing these reports a scope of wbrk was established.

Salient Scope of Work Items Include

Roof replacement / repair

Inspection /replacement, as needed, of water lines

Items of Health & Safety and Energy Conservation

Implementation of recommendations contained in Structural Pest Report

Implementation of other recommendations, as contained in the Physical Needs Assessment Report

# Project Summary

Date: 5-Jun-01

## Project Profile:

| | | | |
|---|---|---|---|
| *Project;* | Willard | *Appraiser:* | Kathryn Sturgis-Bright |
| *Location:* | 521-525 S.Wwillard | | Sturgis Bright & Assoc |
| | San Jose | *Cap Rate:* | 6.00% |
| *County/Zip:* | Santa Clara 95117 | *Market:* | $ 2,000,000 |
| *Borrower:* | Willard, Inc | *Income:* | $ 2,000,000 |
| | Community Hsg Developers | *Final* Value: | $ 2,000,000 |
| | | ***LTC/LTV:*** | |
| *Program:* | lax Exempt 501(c)(3) | *Loan/Cost* | 100% |
| CHFA #: | 01-019-N | *Loan/Value* | 58% |

## Project Description:

| | |
|---|---|
| *Units* | 20 |
| *Handicap Units* | 1 |
| *Bldg. Type* | Rehabilitation |
| *Buildings* | 2 |
| *Stories* . | 2 |
| *Gross Sq Ft* | 14,086 |
| *land Sq Ft* | 20.420 |
| *Units/Acre* | 42.66 |
| *Total Parking* | 22 |
| *Covered Parking* | 15 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $ 1,150,000 | S 57,500 | 6.00% | 20 |
| City of San Jose | $ 357,837* | $ 17,892 | 0.00% | |
| | $ | S | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| CHFA Loan to Lender | $ - | $ | | |
| CHFA Bridge | $ - | $ | | |
| CHFA HAT | $ - | $ - | | |

*Remaining Balance

## Unit Mix:

| Type | Size | Number | AMI | Rent | Max Income |
|---|---|---|---|---|---|
| | | | | | |
| 2 BR | | 20 | 35% | $851 | $27,405 |
| | | | | | |
| | | **20** | | | |

## Fees, Escrows and Reserves:

| Fees, Escrows and Reserves | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | $11,500 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $11,500 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $11,500 | Letter of Credit |
| Rent Up Reserve | 0.00% | of Gross Income | $0 | 0 |
| Utility Stablization Reserve | 150.00% | of Project Utility | $30,000 | Cash |
| Marketing Reserve | 0.00% | of Gross Income | $0 | 0 |
| Annual Replacement Reserve Deposit | | | $6,000 | Operations |
| Initial Deposit to Replacement Reserve | | | $20,000 | Cash |
| Construction Defects Agreement | 0.00% | Hard Costs | $0 | 0 |

# Sources and Uses

Willard

## SOURCES:

| Name of Lender / Source | Amount | $per unit |
|---|---|---|
| CHFA First Mortgage | 1,150,000 | 57,500 |
| . | 0 | 0 |
| . | 0 | 0 |
| . | 0 | 0 |
| . | 0 | 0 |
| . | 0 | |
| | 0 | 0 |
| **Total Institutional Financing** | **1,150,000** | **57,500** |
| ***Equity Financing*** | | |
| | 0 | 0 |
| . | | |
| | 0 | 0 |
| **Total Equity Financing** | ***0*** | ***0*** |
| **TOTAL SOURCES** | 1,150,000 | 57,500 |

## USES:

| | Amount | $per unit |
|---|---|---|
| Citibank | 382,311 | 19,116 |
| City of San Jose | 308,663 | 15,433 |
| City of San Jose | 7,202 | 360 |
| Acquisition | 0 | 0 |
| Rehabilitation | 300,000 | 15,000 |
| New Construction | 0 | 0 |
| Architectural Fees | 0 | 0 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest & Fees | 15,600 | 780 |
| Permanent Financing Fees | 38,000 | 1,900 |
| Legal Fees | 5,000 | 250 |
| Reserves | 50,000 | 2,500 |
| Contract Costs | 12,500 | 625 |
| Construction Contingencies | 20,724 | 1,036 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | 0 | 0 |
| PROJECT COSTS | **1,140,000** | ***57,000*** |
| Developer Fee | 10,000 | 500 |
| Project Administration | 0 | 0 |
| Consultant/Processing Agent | *0* | 0 |
| **TOTAL USES** | **1,150,000** | **57,500** |

| Annual Operating Budget | Willard | | |
|---|---|---|---|
| | | % of total | $ per unit |
| **INCOME:** | | | |
| Total Rental Income | 204,240 | 98.6% | 10,212 |
| Laundry | 1,800 | 0.9% | 90 |
| Other Income | 1,200 | 0.6% | 60 |
| ***Gross* Potential Income (GPI)** | **207,240** | **100.0%** | **10,362** |
| Less: | | | |
| Vacancy Loss | 10,362 | 5.0% | 518 |
| **Total Net Revenue** | **196,878** | **95.0%** | **9,844** |
| **EXPENSES:** | | | |
| Payroll | 9,000 | 4.9% | 450 |
| Administrative | 22,831 | 12.5% | 1,142 |
| Utilities | 20,000 | 10.9% | 1,000 |
| Operating and Maintenance | 17,918 | 9.8% | 896 |
| Insurance and Business Taxes | 6,690 | 3.7% | 335 |
| Taxes and Assessments | 1,627 | 0.9% | 81 |
| Reserve for Replacement Deposits | 6,000 | 3.3% | 300 |
| **Subtotal Operating Expenses** | **84,066** | **46.0%** | **4,203** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 98,867 | 54.0% | 4,943 |
| **Total Financial** | **98,867** | **54.0%** | **4,943** |
| **Total Project Expenses** | **182,933** | **100.0%** | **9,147** |

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## Cash Flow Willard CHFA # 01-019-N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year7 | Year8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 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 | 204.240 | 209.346 | 214.580 | 219.944 | 225,443 | 231.079 | 236.856 | 242,777 | 248.847 | 255,068 |
| **TOTAL RENTAL INCOME** | 204,240 | 209,346 | 214,580 | 219,944 | 225,443 | 231,079 | 236.856 | 242,777 | 248,847 | 255.068 |
| **OTHER INCOME** | | | | | | | | | | |
| *Other Income Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Laundry | 1.800 | 1,845 | 1.891 | 1.938 | 1,987 | 2.037 | 2.087 | 2.140 | 2,193 | 2.248 |
| Other Income | 1.200 | 1,230 | 1.261 | 1,292 | 1,325 | 1.358 | 1,392 | 1,426 | 1,462 | 1,499 |
| **TOTAL** OTHER **INCOME** | 3,000 | 3,075 | 3,152 | 3,231 | 3.311 | 3,394 | 3,479 | 3,566 | 3,655 | 3,747 |
| **GROSS INCOME** | 207,240 | 212,421 | 217,732 | 223,175 | 228,754 | 234,473 | 240.335 | 246,343 | 252,502 | 258,814 |
| *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 | 10.362 | 10.621 | 10.887 | 11.159 | 11,438 | 11.724 | 12.017 | 12.317 | 12,625 | 12.941 |
| **EFFECTIVE GROSS INCOME** | 196,878 | 201,800 | 206,845 | 212.016 | 217,316 | 222.749 | 228,318 | 234,026 | 239.877 | 245.874 |
| **OPERATING EXPENSES** | | | | | | | | | | 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 | 76.439 | 79,497 | 82.676 | 85,983 | 89.423 | 93,000 | 96,720 | 100.589 | 104.612 | 108,797 |
| Replacement Reserve | 6,000 | 6,000 | 6.000 | 6.000 | 6.000 | 6,300 | 6.300 | 6.300 | 6.300 | 6,300 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 1,627 | 1,660 | 1,693 | 1,727 | 1.761 | 1,796 | 1,832 | 1.869 | 1.906 | 1,944 |
| **TOTAL EXPENSES** | 84.066 | 87,156 | 90.369 | 93.710 | 97,184 | 101,096 | 104,852 | 108.757 | 112.818 | 117.041 |
| **NET OPERATING INCOME** | 112.812 | . 114,644 | 116,476 | 118,306 | 120,133 | 121,653 | 123.466 | 125,269 | 127,058 | 128,833 |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - **1st** Mortgage | 98.867 | 98.867 | 98.867 | 98.867 | 98.867 | 98,867 | 98.867 | 98.867 | 98.867 | 98.867 |
| CHFA - Bridge **Loan** | 0 | 0 | 0 | 0 | 0 | | | | | |
| **MHP** Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| **CASH FLOW after debt service** | 13,945 | 15,776 | 17,608 | 19,439 | 21,265 | 22,706 | 24,599 | 26.401 | 28.191 | 29,965 |
| **DEBT COVERAGE RATIO** | 1.14 | 1.16 | 1.18 | 1.20 | 1.22 | 1.23 | 1.25 | 1.27 | 1.29 | 1.30 |

## 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* | 0.00% | 0.00% | 0 00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0 00% |
| 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 | 261,444 | 267,981 | 274,680 | 281,547 | 288,586 | 295.800 | 303.195 | 310,775 | 318,545 | 326,508 |
| TOTAL RENTAL INCOME | 261,444 | 267,981 | 274.680 | 281.547 | 288.586 | 295,800 | 303.195 | 310,775 | 318,545 | 326.508 |
| | | | | | | | | | | |
| 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 | 2.878 |
| Other Income | 1,536 | 1,575 | 1.614 | 1,654 | 1,696 | 1,738 | 1.781 | 1,826 | 1,872 | 1,918 |
| TOTAL OTHER INCOME | 3,840 | 3,936 | 4,035 | 4,136 | 4,239 | 4,345 | 4,454 | 4,565 | 4,679 | 4,796 |
| | | | | | | | | | | |
| GROSS INCOME | 265,285 | 271,917 | 278,715 | 285,683 | 292,825 | 300,145 | 307.649 | 315,340 | 323,224 | 331,304 |
| | | | | | | | | | | |
| *Vacancy Rate : Market* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| *Vacancy Rate : Affordable* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 13.264 | 13,596 | 13.936 | 14.284 | 14.641 | 15,007 | 15.382 | 15.767 | 16.161 | 16,565 |
| EFFECTIVE GROSS INCOME | 252,021 | 258,321 | 264,779 | 271,399 | 278,183 | 285,138 | 292,267 | 299,573 | 307,063 | 314.739 |
| | | | | | | | | | | |
| OPERATING EXPENSES | | | | | 15 | | | | | 20 |
| *Annual Expense Increase* | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Expenses | 113.148 | 117.674 | 122.381 | 127,277 | 132,368 | 137.662 | 143,169 | 148,896 | 154.851 | 161,045 |
| Replacement Reserve | 6.615 | 6,615 | 6.615 | 6,615 | 6.946 | 6.946 | 6.946 | 6.946 | 6.946 | 7,293 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 1.983 | 2,023 | 2,063 | 2,105 | 2,147 | 2.190 | 2.234 | 2.278 | 2.324 | 2,370 |
| TOTAL EXPENSES | 121,747 | 126,312 | 131,060 | 135.996 | 141,460 | 146,798 | 152,348 | 158.120 | 164,121 | 170,709 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 130,274 | 132,009 | 133,719 | 135,402 | 136.723 | 138.340 | 139,918 | 141,454 | 142,942 | 144,030 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 98.567 | 98.867 | 98.867 | 98.867 | 98,867 | 98.867 | 98.867 | 98.867 | 98.867 | 98.867 |
| CHFA - Bridge Loan | | | | | | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | | | | | | | | | | |
| CASH FLOW after debt service | 31,406 | 33,141 | 34,852 | 36,535 | 37,856 | 39,473 | 41,051 | 42.586 | 44,074 | 45,163 |
| DEBT COVERAGE RATIO | 1.32 | 1.34 | 1.35 | 1.37 | 1.38 | 1.30 | 1.42 | 1.43 | 1.45 | 1.46 |

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**Willow I**
**357 Willow Street**
**San Jose, CA 95110**
**CHFA # 01-009-N**

An existing ten (10)-unit apartment complex consisting of 10 one-bedroom units. The project was constructed in 1959.

### Project Location

The subject is located in the south central area of San Jose known as the Washington / Guadalupe neighborhood. The neighborhood is bounded by 1-280 to the north, Curtner Avenue to the south, Highway 101 to the east, and Highway 87 (Guadalupe Highway) to the west. The area is generally improved with commercial, retail, multifamily interspersed with single-family residential homes on residential streets and arterial. The Virginia Light Rail is located within three blocks. San Jose University and is with one mile. Neighborhood shopping, employment centers, public transportation and freeway access are of average convenient to the site.

### Site

The subject is located on the north side of Willow Street approximately ½ block east of McLlellan Avenue. The site is basically rectangular in shape with 48 feet of frontage along Willow, and contains approximately 6,100 square feet or 0.14 acres. The immediate area along Willow Street is a mixture of multifamily residential and neighborhood commercial. The surrounding area is predominately single family residential.

### Improvements

The site is improved with one 2-story walk-up garden-style apartment buildings of average quality and containing a total of ten 1-bedroom apartment units. Construction type is wood frame with stucco and wood siding of average quality. Gross building area is approximately 3,615 square feet. Common area amenities consist of a laundry room and on-site parking for five vehicles. Parking appears to be tight but typical of similar aged projects in the area. Project landscaping is minimal.

### PROJECT FEASIBILITY

Market rate rents for comparable properties average $1,684 for a two-bedroom unit. `

Projected rents for the subject average $725 - $878 for a one-bedroom unit.

**Rent Differentials (Market versus Restricted)**

| Unit Type | Subject | Market Rate Average | $ Difference | % Market |
|---|---|---|---|---|
| **One Bedroom** | | $ 1,684 | | |
| ***50%*** | $ 725 | | ***$959*** | 43% |
| **60%** | $ 878 | | $806 | ***52%*** |

## ENVIRONMENTAL

EMG conducted a Phase I Environmental Site Assessment on May 17, ***2001.*** Areas of investigation included Project Location/Description; Historical Review; Operational Activities; Hazardous Materials; Waste Generation; PCBs; Asbestos; Radon; Lead-Based Paints; Tanks/Pipelines; surface Areas: Regulatory Database Review; and Adjacent Properties. The report identifies no adverse conditions and concludes that no further action or investigation is recommended at this time.

## PHYSICAL NEEDS ASSESSMENT/ SCOPE OF WORK

A Physical Needs Assessment, Structural Pests Inspection, and Seismic Inspection were conducted at the property. Utilizing these reports a scope of work was established.

Salient Scope of Work Items Include

Roof replacement / repair

Inspection /replacement, as needed, of water lines

Items of Health & Safety and Energy Conservation

Implementation of recommendations contained in Structural Pest Report

Implementation of other recommendations, as contained in the Physical Needs Assessment Report

# Project Summary

Date: 5-Jun-01

## Project Profile:

*Project:* Willow I
*Location:* 357 Willow St
San Jose
*County/Zip:* Santa Clara 95110
*Borrower:* Willow I, Inc.
Community Hsg Developers

*Program:* I a x Exempt 501(c)(3)
*CHFA#* : 01-009-N

*Appraiser:* K. Slurgis-Bright
Sturgis-Bright & Assoc

*Cap Rate:* 6.50%
*Market:* $ 980,000
*Income:* $ 980,000
*Final Value:* $ 980,000

***LTC/LTV:***
*Loan/Cost* 89%
*Loan/Value* 34.2%

## Project Description:

| | |
|---|---|
| *Units* | 10 |
| *Handicap Units* | 1 |
| *Bldg. Type* | Rehabilitation |
| *Buildings* | 1 |
| *stones* | 2 |
| *Gross Sq Ft* | 15.826 |
| *Land Sq Ft* | 37,200 |
| *Units/Acre* | 11.71 |
| *Total Parking* | 10 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $ 335,000 | $ 33,500 | 6.00% | 20 |
| City of San Jose Dept of Hsg | $ 40.000 | $ 4,000 | | - |
| | $ - | $ | | - |
| | $ - | $ | | - |
| | $ - | $ | | - |
| | $ - | $ | | - |
| | $ - | $ | | - |
| | $ - | $ | | |
| | $ - | $ | | |
| CHFA Loan to Lender | $ - | $ | | |
| CHFA Bridge | $ - | $ | | |
| CHFA HAT | $ - | $ - | | |

## Unit Mix:

| Type | Size | Number | AMI | Rent | MaxIncome |
|---|---|---|---|---|---|
| | | | | | |
| 1 BR | | 4 | 50% | $725 | $30,450 |
| | | | | | |
| 1 BR | | 6 | 60% | $878 | $36.540 |
| | | | | | |

## Fees, Escrows and Reserves:

| Fees, Escrows and Reserves | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | $3,350 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $3,350 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $3,350 | Letter of Credit |
| Rent Up Reserve | 0.00% | of Gross Income | S0 | 0 |
| Utility Stablization Reserve | 150.00% | of Project Utility | $15,150 | Cash |
| Marketing Reserve | 0.00% | of Gross Income | S0 | 0 |
| Annual Replacement Reserve Deposit | | | S3.000 | Operations |
| Initial Deposit to replacement Reserve | | | $10,000 | Cash |
| Construction Defects Agreement | 0.00% | Hard Costs | S0 | 0 |

# Sources and Uses

Willow I

## SOURCES:

| Name of Lender / Source | Amount | $ per unit |
| --- | --- | --- |
| CHFA First Mortgage | 335,000 | 33,500 |
| City of San Jose Dept of Hsg | 40,000 | 4,000 |
| | 0 | 0 |
| | 0 | 0 |
| | 0 | 0 |
| | 0 | |
| | 0 | 0 |
| **Total Institutional Financing** | **375,000** | **37,500** |
| ***Equity Financing*** | | |
| | 0 | 0 |
| - | | |
| | 0 | 0 |
| **Total Equity Financing** | **0** | **0** |
| **TOTAL SOURCES** | **375,000** | **37,500** |

## USES:

| | | |
| --- | --- | --- |
| | 0 | ' 0 |
| City of San Jose | 92,412 | 9,241 |
| - | 0 | 0 |
| Acquisition | 0 | 0 |
| Rehabilitation | 190,000 | 19,000 |
| New Construction | 0 | 0 |
| Architectual Fees | 0 | 0 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest & Fees | 7,800 | 780 |
| Permanent Financing Fees | 21,700 | 2,170 |
| Legal Fees | 5,000 | 500 |
| Reserves | 25,150 | 2,515 |
| Contract Costs | 12,500 | 1,250 |
| Construction Contingencies | 10,438 | 1,044 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | 0 | 0 |
| **PROJECT COSTS** | **365,000** | **36,500** |
| Developer Fee | 10,000 | 1,000 |
| Project Administration | 0 | 0 |
| Consultant/Processing Agent | 0 | 0 |
| **TOTAL USES** | **375,000** | **37,500** |

## Annual Operating Budget — Willow I

| | | % of total | $ per unit |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental income | 98,016 | 98.5% | 9,802 |
| Laundry | 900 | 0.9% | 90 |
| Other Income | 600 | 0.6% | 60 |
| Gross **Potential Income (GPI)** | **99,516** | 100.0% | **9,952** |
| **Less:** | | | |
| Vacancy **Loss** | 4,976 | 5.0% | 498 |
| **Total Net Revenue** | **94,540** | **95.0%** | **9,454** |
| **EXPENSES:** | | | |
| Payroll | 12,939 | 16.5% | 1,294 |
| Administrative | 10,609 | 13.6% | 1,061 |
| Utilities | 10,100 | 12.9% | 1,010 |
| Operating and Maintenance | 7,925 | 10.1% | 793 |
| insurance and Business Taxes | 2,916 | 3.7% | 292 |
| Taxes and Assessments | 1,895 | 2.4% | 190 |
| Reserve **for** Replacement Deposits | 3,000 | 3.8% | 300 |
| **Subtotal Operating Expenses** | **49,384** | 63.2% | **4,938** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 28,801 | 36.8% | 2,880 |
| **Total Financial** | **28,801** | **36.8%** | 2,880 |
| **Total Project Expenses** | **78,185** | **100.0%** | **7,818** |

**Cash Flow** Willow I **CHFA # 01-009-N**

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year5 | Year6 | Year7 | Year8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 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 | 98.016 | 100,466 | 102.978 | 105,553 | 108.191 | 110.896 | 113,669 | 116.510 | 119.423 | 122.409 |
| TOTAL RENTAL INCOME | 98,016 | 100,466 | 102.978 | 105,553 | 108,191 | 110,896 | 113,669 | 116,510 | 119,423 | 122,409 |
| | | | | | | | | | | |
| 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 | 900 | 923 | 946 | 969 | 993 | 1,018 | 1,044 | 1,070 | 1,097 | 1,124 |
| Other Income | 600 | 615 | 630 | 646 | 662 | 679 | 696 | 713 | 731 | 749 |
| TOTAL OTHER INCOME | 1,500 | 1,538 | 1,576 | 1,615 | 1,656 | 1,697 | 1,740 | 1.783 | 1,828 | 1,873 |
| | | | | | | | | | | |
| GROSS INCOME | 99,516 | 102,004 | 104,554 | 107,168 | 109,847 | 112,593 | 115,408 | 118,293 | 121,251 | 124,282 |
| | | | | | | | | | | |
| *Vacancy Rare :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 | 4.976 | 5.100 | 5.228 | 5,358 | 5,492 | 5,630 | 5,770 | 5,915 | 6,063 | 6,2 14 |
| EFFECTIVE GROSS INCOME | 94.540 | 96,904 | 99,326 | 101.809 | 104,355 | 106,964 | 109,638 | 112,379 | 115,188 | 118,068 |
| | | | | | | | | | | |
| OPERATING EXPENSES | | | | | | | | | | 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 | 44,489 | 46,269 | 48.1 19 | 50,044 | 52,046 | 54,128 | 56,293 | 58.544 | 60.886 | 63.322 |
| Replacement Reserve | 3,000 | 3,000 | 3,000 | 3,000 | 3.000 | 3.150 | 3,150 | 3.150 | 3,150 | 3,150 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2 00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 1,895 | 1,933 | 1,972 | 2.011 | 2.051 | 2,092 | 2.134 | 2,177 | 2,220 | 2.265 |
| TOTAL EXPENSES | 49,384 | 51,201 | 53,091 | 55,055 | 57,097 | 59,370 | 61,577 | 63,871 | 66,257 | 68,736 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 45,156 | 45,702 | 46,235 | 46,754 | 47.258 | 47,594 | 48,061 | 48,507 | 48.932 | 49,331 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 28.801 | 28.801 | 28,801 | 28,801 | 28.801 | 28.801 | 28.801 | 28.801 | 28.801 | 28.801 |
| CHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| CASH FLOW after debt service | 16,356 | 16,902 | 17,435 | 17.954 | 18.457 | 18,793 | 19.260 | 19,707 | 20,131 | 20.531 |
| DEBT COVERAGE RATIO | 1.57 | 1.59 | 1.61 | 1.62 | 1.64 | 1.65 | 1.67 | 1.68 | 1.70 | 1.71 |

## 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* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0 00% |
| 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 | 125.469 | 128,605 | 131.821 | 135.116 | 138.494 | 141,956 | 145.505 | 149.143. | 152.872 | 156.693 |
| **TOTAL RENTAL INCOME** | 125.469 | 128,606 | 131,821 | 135,116 | 138,494 | 141,956 | 145,505 | 149,143 | 152,872 | 156,693 |
| **OTHER INCOME** | | | | | | | | | | |
| *Other income Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Laundry | 1.152 | 1.181 | 1,210 | 1.241 | 1,272 | 1,303 | 1,336 | 1,369 | 1,404 | 1,439 |
| Other Income | 768 | 787 | 807 | 827 | 848 | 869 | 891 | 913 | 936 | 959 |
| **TOTAL OTHER INCOME** | 1,920 | 1,968 | 2,017 | 2,068 | 2,119 | 2,172 | 2,227 | 2,282 | 2.339 | 2.398 |
| **GROSS INCOME** | 127.389 | 130,574 | 133,838 | 137,184 | 140.614 | 144.129 | 147,732 | 151,425 | 155.211 | 159,091 |
| *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% |
| Cess: Vacancy Loss | 6.369 | 6.529 | 6.692 | 6.859 | 7.031 | 7.206 | 7.387 | 7.571 | 7.761 | 7.955 |
| **EFFECTIVE GROSS INCOME** | 121.019 | 124,045 | 127,146 | 130,325 | 133,583 | 136,922 | 140,345 | 143,854 | 147,450 | 151,137 |
| **OPERATING EXPENSES** | | | | | 15 | | | | | 20 |
| *Annual Expense Increase* | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4 00% |
| Expenses | 65.855 | 68.489 | 71,228 | 74,077 | 77,041 | 80,122 | 83,327 | 86.660 | 90,127 | 93.732 |
| Replacement Reserve | 3.308 | 3,308 | 3.308 | 3,308 | 3,473 | 3.473 | 3.473 | 3,473 | 3.473 | 3.647 |
| *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 | 2.310 | 2.356 | 2,403 | 2,451 | 2.500 | 2.550 | 2.601 | 2.653 | 2.707 | 2,761 |
| **TOTAL EXPENSES** | 71,472 | 74.152 | 76,939 | 79,836 | 83,014 | 86,145 | 89,401 | 92.786 | 96,306 | 100.139 |
| **NET OPERATING INCOME** | 49,547 | 49,892 | 50,207 | 50,488 | 50,569 | 50,777 | 50,944 | 51,068 | 51,145 | 50,998 |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - 1st Mortgage | 28.801 | 28,801 | 28,801 | 28.801 | 28,801 | 28.801 | 28.801 | 28.801 | 28.801 | 28.801 |
| CHFA - Bridge Loan | | | | | | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | | | | | | | | | | |
| **CASH FLOW after debt service** | 20,747 | 21,092 | 21,406 | 21,688 | 21.768 | 21,976 | 22,144 | 22,267 | 22,344 | 22,197 |
| **DEBT COVERAGE RATIO** | 1.72 | 1.73 | 1.74 | 1.75 | 1.76 | 1.76 | 1.77 | 1.77 | 1.78 | 1.77 |

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**Willow II**
**339 - 343 Willow Street**
**San Jose, CA 95110**
**CHFA # 01-009-N**

An existing twelve (12)-unit apartment complex consisting of 12 one-bedroom units. The project was constructed in 1953.

### Project Location

The subject is located in the south central area of San Jose known as the Washington / Guadalupe neighborhood. The neighborhood is bounded by 1-280 to the north, Curtner Avenue to the south, Highway 101 to the east, and Highway 87 (Guadalupe Highway) to the west. The area is generally improved with commercial, retail, multifamily interspersed with single family residential homes on residential streets and arterial. The Virginia Light Rail is located within three blocks. San Jose University and is with one mile. Neighborhood shopping, employment centers, public transportation and freeway access are of average convenient to the site.

### Site

The subject is located on the north side of Willow Street approximately 100 feet east of Harliss Avenue. The site is basically rectangular in shape with approximately 46 feet of frontage along Willow, and contains approximately 12,696 square feet or 0.30 acres. The immediate area along Willow Street is a mixture of multifamily residential and neighborhood commercial. The surrounding area is predominately single family residential.

### Improvements

The site is improved with two 2-story walk-up garden-style apartment buildings of average quality and containing a total of twelve 1-bedroom apartment units. Construction type is wood frame with stucco siding of average quality. Gross building area is approximately **5,552** square feet. Common area amenities consist of a laundry room and on-site parking for ten vehicles. Parking appears to be tight but typical of similar aged projects in the area. Project landscaping is minimal

### PROJECT FEASIBILITY

Market rate rents for comparable properties average $1,684 for a one-bedroom unit. `

Projected rents for the subject average $695 for a one-bedroom unit.

**Rent Differentials (Market versus Restricted)**

| Unit Type | Subject | Market Rate Average | $ Difference | % Market |
|---|---|---|---|---|
| One Bedroom | | $ 1.684 | | |
| 50% | $ 695 | | $989 | 41% |

## ENVIRONMENTAL

EMG conducted a Phase I Environmental Site Assessment on May 17, 2001. Areas of investigation included Project Location/Description; Historical Review; Operational Activities; Hazardous Materials; Waste Generation; PCBs; Asbestos; Radon; Lead-Based Paints; Tanks/Pipelines; surface Areas; Regulatory Database Review; and Adjacent Properties. The report identified asbestos-containing 12" x 12" vinyl tile and suspect ACM in the form of roofing materials and electrical wiring insulation to be in good condition and easily maintained in place. The report recommended the implementation of an Operations and Maintenance Program to maintain the project in accordance with current regulatory standards and sound business practice. The report identifies no adverse conditions and concludes that no further action or investigation is recommended at this time.

## PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

A Physical Needs Assessment, Structural Pests Inspection, and Seismic Inspection were conducted at the property. Utilizing these reports a scope of work was established.

Salient Scope of Work Items Include

Roof replacement / repair

Inspection /replacement, as needed, of water lines

Items of Health & Safety and Energy Conservation

Development and implementation of a Operations and Maintenance ("O&M") Program for asbestos-containing materials

Implementation of recommendations contained in Structural Pest Report

Implementation of other recommendations, as contained in the Physical Needs Assessment Report

# Project Summary

Date: 5-Jun-01

## Project Profile:

*Project* : Willow II
*Location*. 339-343 Willow St
San Jose
*County/Zip*: Santa Clara 95110
*Borrower:* Willow II, Inc
Community Hsg Developers

*Program* Tax Exempt 501(c)(3)
*CHFA #* : 01-010-N

*Appraiser:* K. Sturgis-Bright
Sturgis-Bright & Assoc
*Cap Rate:* 6.25%
*Market:* $ 1,000,000
*Income:* $ 1,000,000
*final Value:* $ 1,000,000

***LTC/LTV:***
*Loan/Cost* 86.8%
*Loan/Value* 52.5%

## Project Description:

| | |
|---|---|
| *Units* | 12 |
| *Handicap Units* | 1 |
| *Bldg. Type* | Rehabilitation |
| *Buildings* | 2 |
| *Stories* | 2 |
| *Gross Sq Ft* | 6,348 |
| *Land Sq Ft* | 6,534 |
| *Units/Acre* | 80.00 |
| *Total Parking* | 14 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $ 525,000 | $ 43,750 | 6.00% | 20 |
| City of San Jose Dept of Hsg | $ 80,000 | $ 6,667 | 0.00% | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ | | |
| | $ | $ - | | |
| CHFA Loan to Lender | $ - | $ - | | |
| CHFA Bridge | $ - | $ - | | |
| CHFA HAT | $ - | $ - | | |

## Unit Mix:

| Type | Size | Number | AMI | Rent | MaxIncome |
|---|---|---|---|---|---|
| 1 BR | | 12 | 50% | $695 | $30,450 |
| | | | | | |
| | | 12 | | | |

## Fees, Escrows and Reserves:

| Fees, Escrows and Reserves | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Loan Amount | $5,250 | Cash |
| Finance Fee | 1.00% | of Loan Amount | 85.250 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $5,250 | Letter of Credit |
| Rent Up Reserve | 0.00% | of Gross Income | S0 | 0 |
| Utility Stablization Reserve | 150.00% | of Gross Income | 512,308 | Cash |
| Marketing Reserve | 0.00% | of Gross Income | S0 | 0 |
| Annual Replacement Reserve Deposit | | | $3,600 | Operations |
| Initial Deposit to replacement Reserve | | | $12,000 | Cash |
| Construction Defects Agreement | 0.00% | Hard Costs | S0 | 0 |

# Sources and Uses

Willow II

## SOURCES:

| Name of Lender / Source | Amount | $ per unit |
|---|---|---|
| CHFA First Mortgage | 525,000 | 43,750 |
| City of San Jose Dept of Hsg | 80,000 | 6,667 |
| | 0 | 0 |
| . | 0 | 0 |
| . | 0 | 0 |
| . | 0 | |
| | 0 | 0 |
| **Total Institutional Financing** | **605,000** | **50,417** |
| ***Equity Financing*** | | |
| | 0 | 0 |
| . | - | |
| | 0 | 0 |
| **Total Equity Financing** | 0 | 0 |
| **TOTAL SOURCES** | **605,000** | **50,417** |

## USES:

| | | |
|---|---|---|
| SAMCO | 149,767 | 12,481 |
| City of San Jose Dept of Hsg | 92,685 | 7,724 |
| 0 | 0 | 0 |
| Acquisition | 0 | 0 |
| Rehabilitation | 260,000 | 21,667 |
| New Construction | 0 | 0 |
| Architectual Fees | 0 | 0 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest & Fees | 9,360 | 780 |
| Permanent Financing Fees | 25,500 | 2,125 |
| Legal Fees | 5,000 | 417 |
| Reserves | 24,308 | 2,026 |
| Contract Costs | 12,500 | 1,042 |
| Construction Contingencies | 15,880 | 1,323 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | 0 | 0 |
| **PROJECT COSTS** | **595,000** | **49,583** |
| Developer Fee | 10,000 | 833 |
| Project Administration | 0 | 0 |
| Consultant/Processing Agent | 0 | 0 |
| **TOTAL USES** | **605,000** | **50,417** |

## Annual Operating Budget — Willow II

| | | % of total | $ per unit |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental Income | 100,080 | 98.2% | 8,340 |
| Laundry | 1.080 | 1.1% | 90 |
| Other Income | 720 | 0.7% | 60 |
| **Gross Potential Income (GPI)** | **101,880** | 100.0% | **8,490** |
| Less: | | | |
| Vacancy Loss | 5,094 | 5.0% | 425 |
| **Total Net Revenue** | **96,786** | **95.0%** | **8,066** |
| **EXPENSES:** | | | |
| Payroll | 0 | 0.0% | |
| Administrative | 12,286 | 13.7% | 1,024 |
| Utilities | 8,205 | 9.1% | 684 |
| Operating and Maintenance | 17,072 | 19.0% | 1,423 |
| Insurance and Business Taxes | 3,000 | 3.3% | 250 |
| Taxes and Assessments | 670 | 0.7% | 56 |
| Reserve for Replacement Deposits | 3,600 | 4.0% | 300 |
| **Subtotal Operating Expenses** | **44,833** | **49.8%** | **3,736** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 45,135 | 50.2% | 3,761 |
| **Total Financial** | **45,135** | **50.2%** | **3,761** |
| **Total Project Expenses** | **89,968** | **100.0%** | **7,497** |

1009

**Cash Flow** Willow II CHFA # 01-010-N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year5 | Year6 | Year7 | Year8 | Year9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 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 | 100.080 | 102.582 | 105,147 | 107,775 | 110,470 | 113,231 | 116,062 | 118.964 | 121.938 | 124,986 |
| TOTAL RENTAL INCOME | 100.080 | 102,582 | 105,147 | 107,775 | 110,470 | 113,231 | 116,062 | 118.964 | 121.938 | 124.986 |
| | | | | | | | | | | |
| OTHER INCOME | | | | | | | | | | |
| *Other Income Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Laundry | 1,080 | 1,107 | 1.135 | 1,163 | 1.192 | 1,222 | 1,252 | 1,284 | 1.316 | 1,349 |
| Other Income | 720 | 738 | 756 | 775 | 795 | 815 | 835 | 856 | 877 | 899 |
| TOTAL OTHER INCOME | 1,800 | 1,845 | 1,891 | 1,938 | 1,987 | 2,037 | 2,087 | 2,140 | 2,193 | 2,248 |
| | | | | | | | | | | |
| GROSS INCOME | 101,880 | 104.427 | 107,038 | 109,714 | 112,456 | 115,268 | 118,150 | 121,103 | 124,131 | 127,234 |
| | | | | | | | | | | |
| *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 | 5,094 | 5,221 | 5.352 | 5,486 | 5.623 | 5.763 | 5.907 | 6,055 | 6.207 | 6.362 |
| EFFECTIVE GROSS INCOME | 96.786 | 99.206 | 101,686 | 104,228 | 106.834 | 109,505 | 112,242 | 115,048 | 117,924 | 120,872 |
| | | | | | | | | | | |
| OPERATINGEXPENSES | | | | | | | | | | 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 | 40.563 | 42.186 | 43,873 | 45.628 | 47,453 | 49.351 | 51,325 | 53.378 | 55,513 | 57.734 |
| Replacement Reserve | 3.600 | 3,600 | 3,600 | 3.600 | 3.600 | 3,780 | 3.780 | 3.780 | 3,780 | 3.780 |
| *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 | 670 | 683 | 697 | 711 | 725 | 740 | 755 | 770 | 785 | 801 |
| TOTAL EXPENSES | 44,833 | 46.469 | 48,170 | 49,939 | 51,778 | 53,871 | 55.860 | 57.928 | 60,078 | 62.315 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 51,953 | 52,737 | 53,516 | 54,289 | 55,055 | 55.634 | 56.382 | 57.120 | 57.846 | 58.558 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - 1st Mortgage | 45.135 | 45,135 | 45.135 | 45,135 | 45.135 | 45.135 | 45.135 | 45.135 | | 45.135 |
| CHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| CASH FLOW after debt service | 6,818 | 7,602 | 8,381 | 9.154 | 9,920 | 10,499 | 11.247 | 11,985 | 57,846 | 13,423 |
| DEBT COVERAGE RATIO | 1.15 | 1.17 | 1.19 | 1.20 | 1.22 | 1.23 | 1.25 | 1.27 | NIA | 1.30 |

## 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*** | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0 00%* | *0.00%* | *0.00%* | *0.00%* | 0.00% | 0.00% |
| 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 | 128,111 | 131,314 | 134.596 | 137.961 | 141,410 | 144,946 | 148.569 | 152.284 | 156.091 | 159,993 |
| **TOTAL RENTAL INCOME** | 128.111 | 131,314 | 134.596 | 137,961 | 141,410 | 144,946 | 148,569 | 152,284 | 156.091 | 159,993 |
| | | | | | | | | | | |
| **OTHER INCOME** | | | | | | | | | | |
| ***Other Income Increase*** | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 1.382 | 1,417 | 1,452 | 1.489 | 1,526 | 1.564 | 1,603 | 1.643 | 1,684 | 1,727 |
| Other Income | 922 | 945 | 968 | 993 | 1,017 | 1,043 | 1,069 | 1,096 | 1.123 | 1.151 |
| **TOTAL OTHER INCOME** | 2,304 | 2.362 | 2,421 | 2,481 | 2,543 | 2.607 | 2,672 | 2,739 | 2.807 | 2,878 |
| | | | | | | | | | | |
| **GROSS INCOME** | 130,415 | 133,675 | 137,017 | 140,443 | 143,954 | 147,553 | 151,241 | 155,022 | 158,898 | 162.871 |
| | | | | | | | | | | |
| ***Vacancy Rate :Market*** | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| ***Vacancy Rate :Affordable*** | *5.00%* | *. 5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 6.521 | 6.684 | 6.851 | 7.022 | 7.198 | 7.370 | 7.562 | 7.751 | 7.945 | 8.144 |
| **EFFECTIVE GROSS INCOME** | 123,894 | 126,992 | 130,166 | 133,421 | 136,756 | 140,175 | 143,679 | 147,271 | 150,953 | 154,727 |
| | | | | | | | | | | |
| **OPERATINGEXPENSES** | | | | | 15 | | | | | 20 |
| ***Annual Expense Increase*** | *4.00%* | *4.00%* | *4.00%* | 4.00% | *4.00%* | 4.00% | *4.00%* | 4.00% | 4.00% | *4.00%* |
| Expenses | 60.043 | 62.445 | 64.943 | 67,540 | 70,242 | 73.052 | 75.974 | 79.013 | 82,173 | 85.460 |
| Replacement Reserve | 3.969 | 3.969 | 3.969 | 3.969 | 4.167 | 4.167 | 4.167 | 4,167 | 4.167 | 4,376 |
| ***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 | 817 | 833 | 850 | 867 | 884 | 902 | 920 | 938 | 957 | 976 |
| **TOTAL EXPENSES** | 64,829 | 67,247 | 69,761 | 72.376 | 75,293 | 78.121 | 81,061 | 84.1 18 | 87,298 | 90,812 |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | 59.065 | 59,745 | 60,405 | 61,045 | 61,463 | 62.054 | 62.618 | 63,153 | 63.656 | 63.915 |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CHFA - **1st** Mortgage | | 45,135 | 45.135 | 45,135 | 45.135 | 45.135 | 45.135 | 45,135 | 45,135 | 45.135 |
| CHFA - Bridge.Loan | | | | | | | | | | |
| MHP Admin Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - HAT Loan | | | | | | | | | | |
| **CASH FLOW after debt service** | 59,065 | 14,610 | 15,270 | 15,909 | 16,327 | 16,919 | 17,483 | 18,018 | 18.520 | 18,780 |
| **DEBT COVERAGE RATIO** | NIA | 1.32 | 1.34 | 1.35 | 1.36 | 1.37 | 1.39 | 1.40 | 1.41 | 1.42 |

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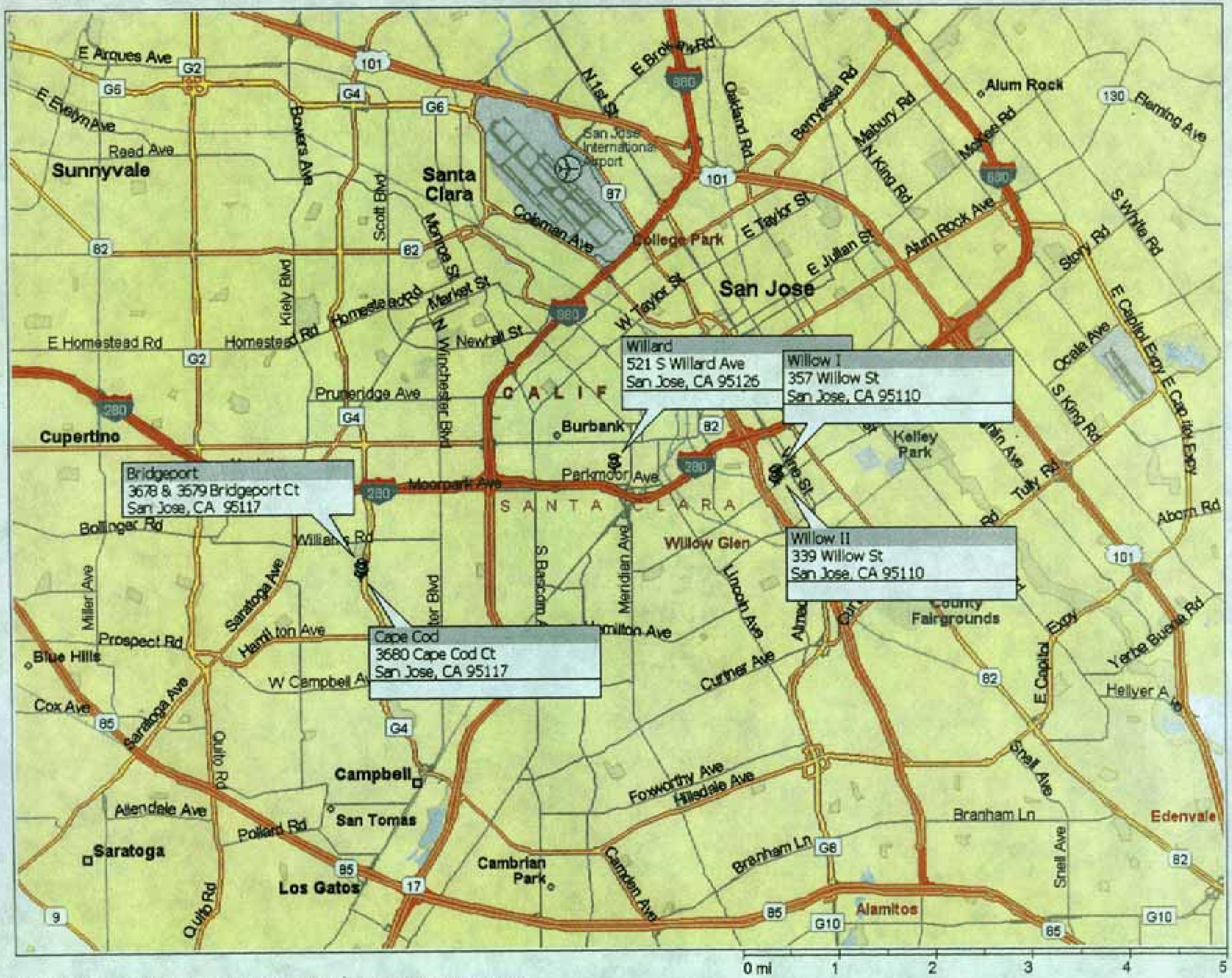
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Cape Cod
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Cupertino
Campbell
Los Gatos
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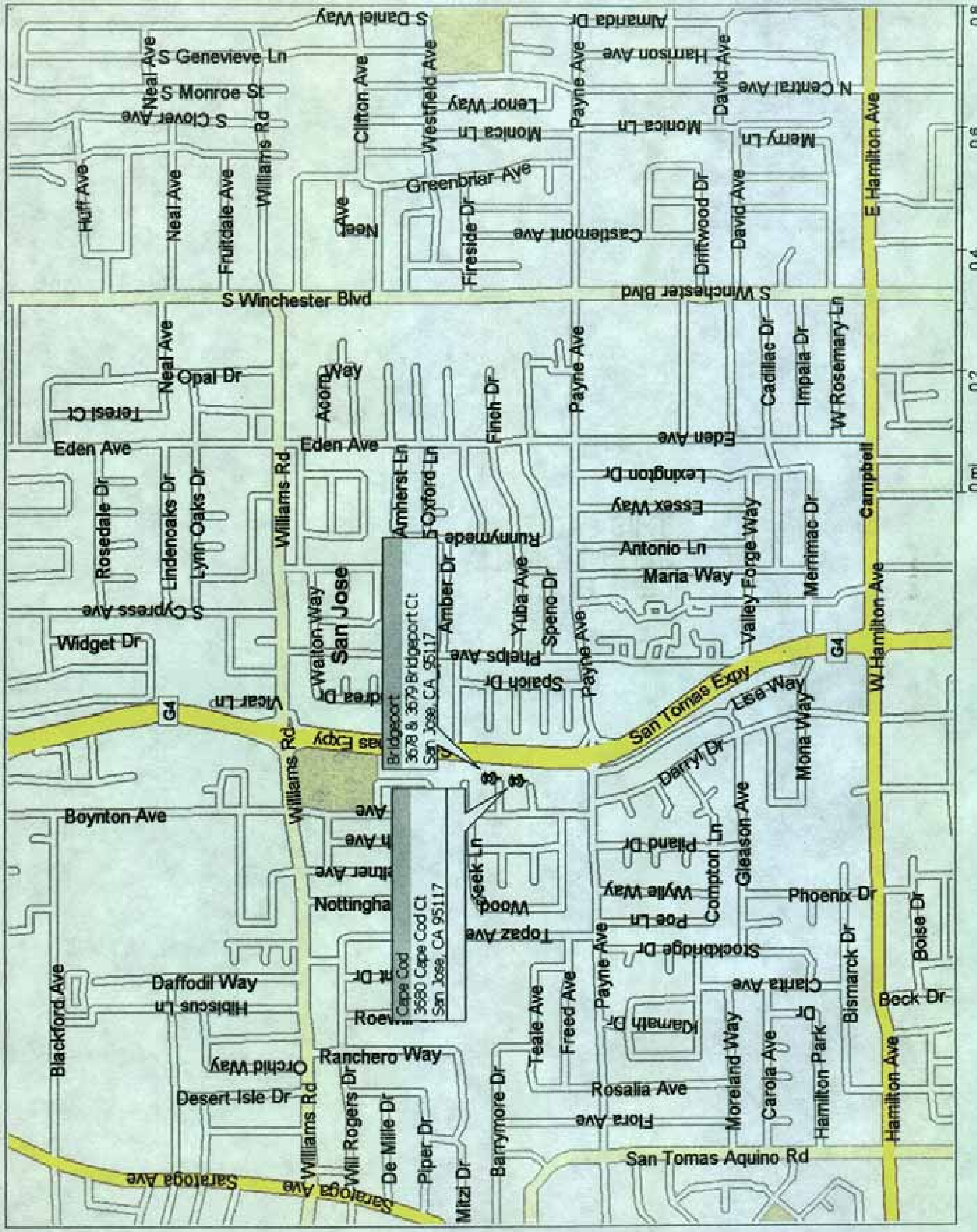
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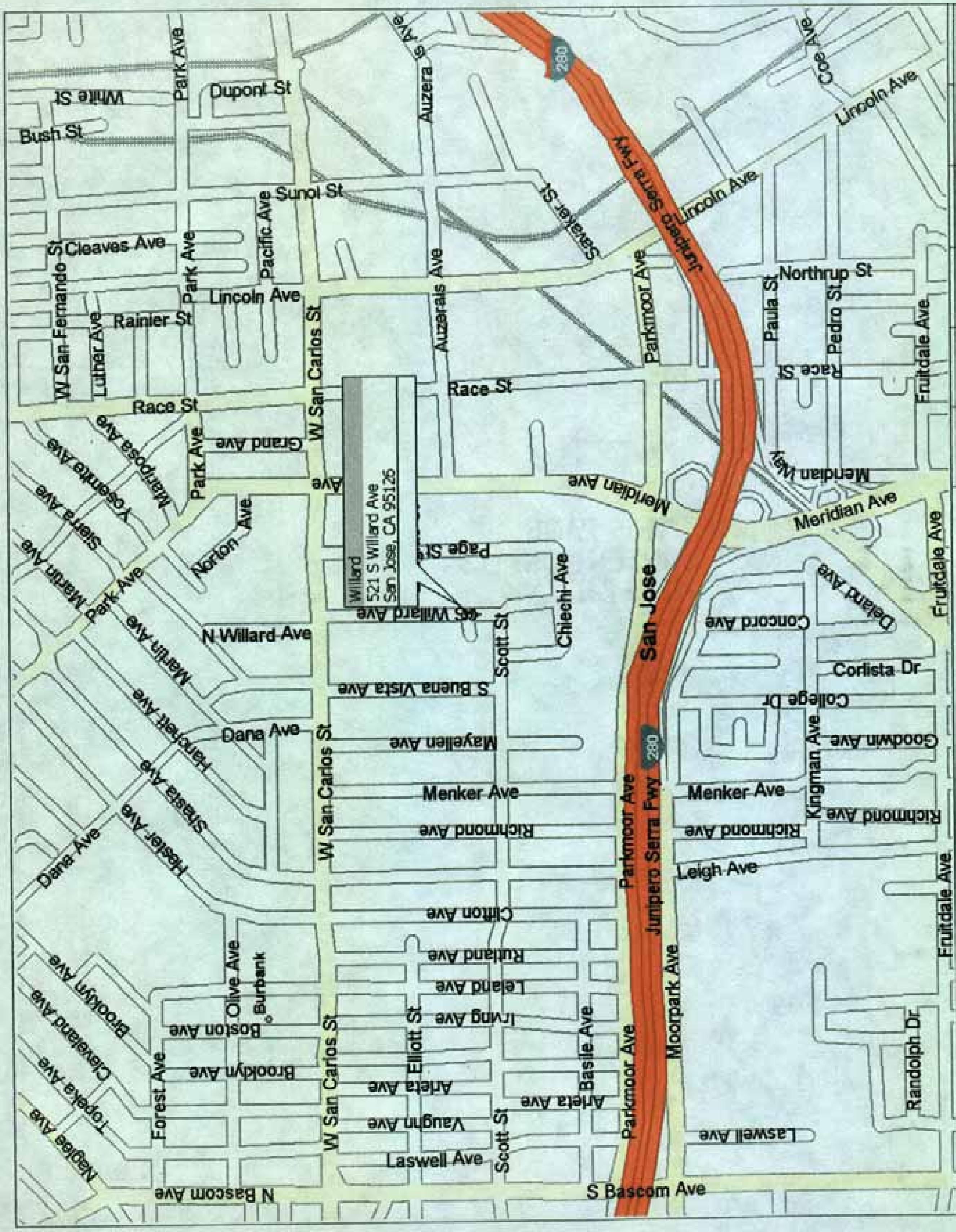
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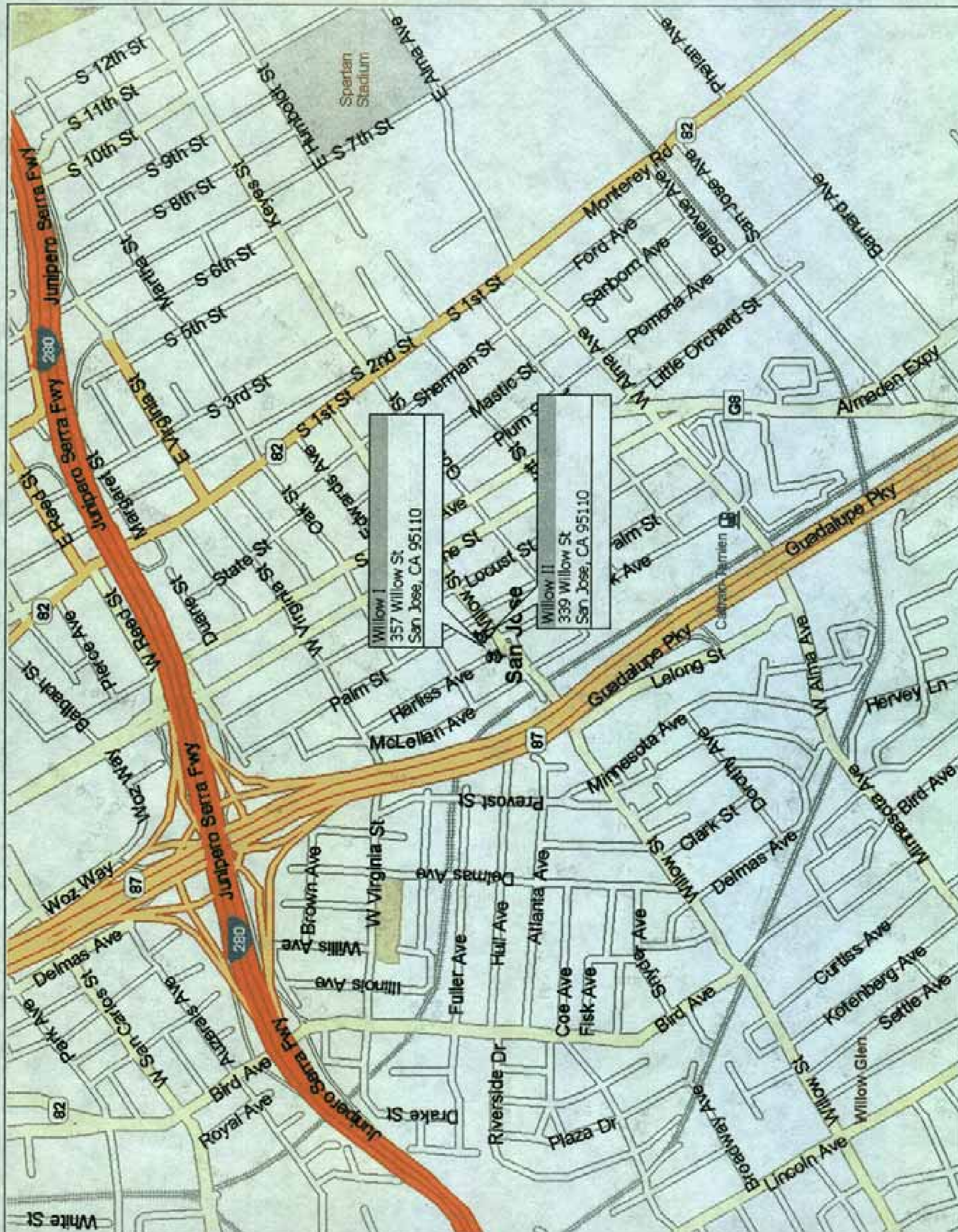
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RESOLUTION 01-27

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Community Housing Developers, Inc., a California nonprofit public benefit corporation (the "Borrower"), seeking loan commitments under the Agency's Preservation Acquisition Loan Program in the aggregate mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for five multifamily housing developments aggregating 98 units and located in the City of San Jose to be known as San Jose Portfolio (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 8, 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 June 8, 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 Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MORTGAGE AMOUNTS |
|---|---|---|---|
| 01-019-N | San Jose Portfolio<br>San Jose/Santa Clara | 98 | $6,060.000 |

2. 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 increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%). must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily 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 **01-27** adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento, California.

ATTEST: ______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

## Final Commitment
## Sycamore Square Apartments
## CHFA Ln. # 01-022-N

**SUMMARY:**

This is a Final Commitment request for a 501(c)(3) first mortgage in the amount of $2,150,000 that is fully amortized over thirty years and a second loan in the amount of $290,000 that is fully amortized over ten years. The project is Sycamore Square Apartments, a 26-unit, family, existing project located at 22650 Alice Street and 363 Valle Vista Avenue, Hayward, Alameda County.

**LOAN TERMS:**

| | | |
|---|---|---|
| 1st Mortgage | | $2,150,000 |
| | Interest Rate | **5.7%** |
| | Term | 30 year fixed, fully amortized |
| | **Financing** | **501(C)(3)** |
| 2nd Mortgage | | $ 290,000 |
| | Interest Rate | 5.7% |
| | Term | 10 years fixed, fully amortized |
| | **Financing** | **501(C)(3)** |

**BACKGROUND:**

The subject project has been an existing loan for the past 20 years in CHFA's portfolio with HUD financing and Section 8 assistance. Eden Housing, Inc. is exercising their first right of refusal at 90% of the offering price by **a** for-profit entity when the project became eligible for sale.

**LOCALITY INVOLVEMENT:**

None

**SECTION 8 CONTRACT:**

The project's Housing Assistance Payment (HAP) Section 8 contract expires in year 2003. Currently, 100% of the units are covered by Section 8 rental assistance.

**Conversion Scenario:** The majority of residents are likely to remain Section 8 tenants for several years. The project also has a waiting list of Section 8 applicants. The borrower will seek renewals of all Section 8 HAP contract or the equivalent project-based subsidies for their full term and throughout the project's useful life.

A Transition Operating Reserve ("TOR") is not being required to subsidize the project costs, if required, during the transition from Section **8** to non-subsidized rents due to the strong market in the Bay Area.

**Financing Adjustment Factor (FAF):** The project is subject to an existing FAF agreement with HUD, which is due to expire along with the existing HAP contract. The final commitment and loan closing will be conditioned upon an acceptable negotiation or resolution to the Agency.

**MARKET**

**A. Market Overview**

The subject property is located in the City of Hayward in Alameda County. The subject property is located in the southeast portion of the City of Hayward. approximately 1.75 miles east of Interstate 880 and five miles south of Interstate 580. The neighborhood is defined by Industrial Parkway to the south; **W.** Tennyson Road to the north; Interstate 880 to the west and Mission Boulevard to the east. This is an established residential area with commercial services located nearby on Mission Boulevard.

The stability of the neighborhood has remained relatively consistent over the past five to ten years, predominately consisting of single family and multifamily development. Single-family construction is older and appears to have been built in the 1940s and 1950s. The majority of the apartments were built in the 1960s and **1970s.** The subject is superior too much of the inventory in the immediate vicinity.

**B. Market Demand**

The vacancy in the market area of the subject ranges from zero percent to 4.9 percent with an average vacancy of **1.5%.** **A** current RealFacts report indicates an overall vacancy rate of 1.6% for the Hayward area. Based on the lack of new construction in the area, vacancy rates are anticipated to remain low for the foreseeable future:

Property managers in the area indicate that rents have continued to increase over the past two years by $300 per unit. In addition, property managers indicate that they maintain waiting lists that range from a few weeks to months.

The subject's area has experienced good demand over the past few years with exceptionally low vacancy rates. During this period, employment in the immediate area has increased and rents have increased steadily. The changes in the "dot.com" companies is not anticipated to affect the multifamily markets, as other sectors of the economy remain strong.

**C. Market Supply**

The majority of existing supply in the subject's immediate neighborhood has been constructed in the last thirty years. This area has average appeal due to the quality of residential development in the subject's immediate neighborhood.

As rent levels have increased, new construction has become feasible in the Bay Area for high-end, luxury units. Knowledgeable brokers and developers indicate that interest in multi-family land is strong in the area. However, there are few vacant sites available for development in the subject's neighborhood. In addition, high construction costs and development fees have been a barrier to new construction.

| Unit Type | Subject: | Section 8 | Market Rent | Dif. Btwn. Mkt. | % Of Market |
|---|---|---|---|---|---|
| Two Bedroom | | $1,036 | $1,300 | | |
| 50% | $753 | | | $547 | 58% |
| 60% | $830 | | | $470 | 64% |
| Three Bedroom | | $1,213 | $1,475 | | |
| 50% | $914 | | | $561 | 62% |
| 60% | $1.052 | | | $423 | 71% |

**PROJECT DESCRIPTION:**

The Sycamore Square Apartments are located on two separate building parcels. The smaller parcel is located **363** Valle Vista Avenue and contains 10 three-bedroom townhouse and **2** two-bedroom flats in two buildings. The larger parcel **is** located at **22650** Alice Street (off C Street) and contains **14** three-bedroomtownhouse units in two three-story buildings. Both of the parcels are located in areas that have primarily residential development, with commercial development located within a quarter mile radius. Parking for most of the units is within open garages located at the ground level of the buildings.

All the units have hook-ups for washer and dryers. Many of the apartment units have private exterior yards. The units facing "C" Street have balconies.

**REHABILITATION**

Eden plans to rehabilitate the project in accordance with the physical needs assessment. The major rehabilitation work includes:

- New roofing
- Repair fencing and retaining wall.
- Deck repairs
- Water heater repairs
- GFCI at kitchens and baths

All rehabilitation will be conducted with the tenants-in-place, and with minimal disruption.

**OCCUPANCY RESTRICTIONS:**

**CHFA:** **20%** of the units ***(5)*** will be restricted to 50% or less of median income.
80% of the units **(21)** will be restricted to ***60%*** or less of median income.

**ENVIRONMENTAL:**

A Phase I-Environmental Assessment Report is currently underway and will be a condition of the final commitment.

**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 Eden Housing, Inc. which will assign its interest in the partnership to a wholly owned 501(c)(3) subsidiary. The subsidiary will remain in the partnership as the managing general partner.

Eden Housing. Inc. was established 32 years ago and in the past five years, **970** units of housing have been developed. An additional **400** units are being developed, not only in Alameda County, but in the counties of Sonoma, Santa Clara and Contra Costa as well.

**B. Contractor**

The amount of rehabilitation is minimal ($1 15,000) and Eden Housing, Inc. is in the process of selecting a contractor for the work involved.

**C. Architect**

No architect is required based upon the contemplated rehabilitation proposed at the subject property.

**D. Management Agent**

Management services for Sycamore Square Apartments will be provided by Eden Housing Management, Inc., which was established in 1984 as an affiliate of Eden Housing, Inc. to oversee its projects.

# Project Summary

Date. 8-Jun-01

## Project Profile:

| | | | |
|---|---|---|---|
| *Project :* | Sycamore Square | *Appraiser.* | Tim Wright |
| *Location:* | 22650 Alice/363Valle | | PGP, Inc |
| | Hayward | *Cap Rare:* | 8.508 |
| *ounty/Zip:* | Alameda 95444 | *Market:* | $ 3,195,000 |
| *Borrower;* | Eden Housing, Inc. | *Income:* | $ 3,360,000 |
| *GP:* | Eden | *Final Value.* | $ 3,250,000 |
| *LP:* | TBD | | |
| | | *LTC/LTV:* | |
| *Program:* | 501(C)(3) | *Loan/Cost* | 79.78 |
| *CHFA # :* | 01-022-N | *Loan/Value* | 66.2% |

## Project Description:

| | |
|---|---|
| *Units* | 26 |
| *Handicap Units* | na |
| *Bldge Type* | Acq/Rehab |
| *Buildings* | 13 |
| *Stories* | 2 & 3 |
| *Gross Sq Ft* | 37.076 |
| *Land Sq Ft* | 51.805 |
| *Units/Acre* | 22 |
| *Total Parking* | |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $2,150,000 | $82.692 | 5.70% | 30 |
| Loan 4 | $0 | $0 | 0.00% | |
| Eden Housing | $246,000 | $9.462 | 0 00% | |
| Other Loans | $0 | $0 | | |
| Developer Equity | $13,221 | $509 | | |
| Tax Credit Equity | $0 | $0 | | |
| Deferred Developer Fee | $0 | $0 | | |
| CHFA Bridge | $0 | $0 | 0.00% | |
| CHFA HAT | $290.000 | $11,154 | 5 70% | 10 |

## Unit Mix:

| Type | Size | Number | AMI | Rent | Sec. 8 Rents |
|---|---|---|---|---|---|
| 2 BR | 802 | 1 | 50% | $753 | $1,036 |
| 3 BR | 1118 | 4 | 50% | $830 | $1.213 |
| 2 BR | 802 | 1 | 60% | $914 | $1.036 |
| 3 BR | 1118 | 20 | 60% | $1,052 | $1.213 |
| | | 26 | | | |

## Fees, Escrows and Reserves:

| Escrows | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Comnutment Fee | 1.009 | of Loan Amount | 524.100 | Cash |
| Finance Fee | 1.00% | of Loan Amount | $24.400 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $24,400 | Letter of Credit |
| Utility Stabilization Reserve | 150.009 | of Utility | $23,000 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $37,411 | Letter of Credit |
| Annual Replacement Reserve Deposit | 350 | Per Unit | 19.100 | Operations |
| Initial Deposit to Replc. Reserve | 2115 | Per Unit | $55.000 | Cash |
| Transition Operating Reserve | $0 | Per Unit | $0 | Cashflow |

# Sources and Uses

## Sycamore Square

### SOURCES:

| *Name of Lender / Source* | **Amount** | **$per unit** |
|---|---|---|
| CHFA First Mortgage | 2,150,000 | 82,692 |
| CHFA Bridge | 0 | 0 |
| CHFA HAT | 290,000 | 11,154 |
| Loan 4 | 0 | 0 |
| Eden Housing | 246,000 | 9,462 |
| Other Loans | 0 | 0 |
| **Total institutional Financing** | **2,686,000** | **103,308** |
| | | |
| *Equity Financing* | | |
| Tax Credits | 0 | 0 |
| Deferred Developer Equity | 13,221 | 509 |
| Deferred Developer Equity | 0 | 0 |
| **Total Equity Financing** | **13,221** | **509** |
| | | |
| **TOTAL SOURCES** | **2,699,221** | **103,816** |

### USES:

| | | |
|---|---|---|
| Acquisition | 2,347,155 | 90,275 |
| Rehabilitation | 115,000 | 4,423 |
| New Construction | 0 | 0 |
| Architectual Fees | 0 | 0 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest & Fees | 6,500 | 250 |
| Permanent Financing | 54,300 | 2,088 |
| Legal Fees | 10,000 | 385 |
| Reserves | 115,421 | 4,439 |
| Contract Costs | 8,000 | 308 |
| Construction Contingency | 0 | 0 |
| Local Fees | 0 | 0 |
| TCAC/Other Costs | 22,845 | 879 |
| **PROJECT COSTS** | **2,679,221** | **103,047** |
| | | |
| Developer Overhead/Profit | 0 | 0 |
| Consultant/Processing Agent | 20,000 | 769 |
| | | |
| **TOTAL USES** | **2,699,221** | **103,816** |

# Annual Operating Budget — Sycamore Square

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 374,208 | 14,393 |
| Laundry | 0 | |
| Other Income | 0 | |
| Commercial/Retail | 0 | |
| **Gross Potential Income (GPI)** | **374,208** | **14,393** |
| **Less:** | | |
| Vacancy **Loss** | 15.616 | 601 |
| **Total Net Revenue** | **358,592** | **13,792** |
| **EXPENSES:** | | |
| Payroll | 33,616 | 1,293 |
| Administrative | 29.728 | 1,143 |
| Utilities | 15,489 | 596 |
| Operating and Maintenance | 31,000 | 1,192 |
| Insurance and Business Taxes | 8,640 | 332 |
| Taxes and Assessments | 3,500 | 135 |
| Reserve for Replacement Deposits | 9,100 | 350 |
| **Subtotal Operating Expenses** | **131,073** | **5,041** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 149,743 | 5,759 |
| **Total Financial** | **149,743** | **5,759** |
| **Total Project Expenses** | **280,816** | **10,801** |

## *Cash Flow* Sycamore Square CHFA # 01-022-N

| RENTAL INCOME | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Sec 8 Increase* | *1 75%* | *1 75%* | *1 75%* | *1 75%* | *1 75%* | *1 75%* | *1 75%* | *N/A* | *N/A* | *N/A* |
| **Sec. 8 Rents** | 61.884 | 62.967 | 64,069 | 65,190 | 66.311 | 67.492 | 68,673 | 69,875 | 69,875 | 69,875 |
| ***Affordable Rent Increase*** | *2.50%* | 2.50% | *2.50%* | 2.50% | *2.50%* | 2.50% | *2.50%* | 2.SO% | *2.50%* | *2.50%* |
| **Affordable Rents** | 3 12.324 | 320,132 | 328,135 | 336,339 | 344,747 | 351.366 | 362,200 | 371.255 | 380.536 | 390.050 |
| TOTAL RENTAL INCOME | 374,2011 | 313,099 | 392,204 | 401,529 | 411,078 | 420,11511 | 430.1173 | 441,130 | 450.41 I | 459,924 |
| | | | | | | | | | | |
| OTHER INCOME | | | | | | | | | | |
| *Other Income Increase* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| **Laundry** | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | N/A |
| **Commercial** | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | N/A |
| TOTAL OTHER INCOME | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| | | | | | | | | | | |
| CROSS INCOME | 374,2011 | 383,099 | 392,204 | 401.529 | 411,078 | 420.11511 | 430,1173 | 441,130 | 450.41 I | 459,924 |
| | | | | | | | | | | |
| ***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%* | *5.00%* |
| Less Vacancy Loss | 15.616 | 16,007 | 16.407 | 16,817 | 17.217 | 17,668 | 18,110 | 18,563 | 19.027 | 19,502 |
| EFFECTIVE **GROSS** INCOME | 358,592 | 367,092 | 375,7911 | 384,712 | 393,841 | 403,189 | 412,763 | 422,567 | 431,3114 | 440.422 |
| | | | | | | | | | | |
| **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 | 118,473 | 123,212 | 128,140 | 133,266 | 138,597 | 144.141 | 149,906 | 155.902 | 162,138 | 168,624 |
| **Replacement Reserve** | 9,100 | 9,100 | 9,100 | 9, 100 | 9,100 | 9,555 | 9,555 | 9,555 | 9.555 | 9,555 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | 2.00% | 2.00% | *2.00%* | *2.00%* | *2.00%* |
| laxcs and Assessments | 3,500 | 3.570 | 3,64 I | 3.714 | 3,789 | 3.864 | 3.942 | 4.020 | 4,101 | 4,183 |
| TOTAL EXPENSES | 131,073 | 135,882 | 140,11112 | 146,080 | 151,485 | 157,560 | 163.403 | 169.4711 | 175,794 | 182,362 |
| | | | | | | | | | | |
| **NET** OPERATING INCOME | 227,519 | 231,21 I | 234.916 | 2311,632 | 242,356 | 245,630 | 249,360 | 253.089 | 255,590 | 2511,060 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - **1st Mortgage** | 149,743 | 149,743 | 149,743 | 149,743 | 14Y.743 | 149.743 | 149.743 | 149.743 | 149.743 | 149.743 |
| CHFA - **Bridge Loan** | 0 | 0 | 0 | *0* | 0 | 0 | 0 | 0 | 0 | 0 |
| CHFA - **2nd Mortgage** | 38,844 | 38,844 | 38.844 | 38,844 | 38,844 | 38,844 | 38.844 | 38,844 | 38.844 | 38,844 |
| CASH **FLOW after debt service** | 38,932 | 42,624 | 46.329 | 50,045 | 53,769 | 57,043 | 60,773 | 64,502 | 67,003 | 69,473 |
| DERT COVERAGE **RATIO** | 1.21 | 1.23 | 1.25 | 1.27 | 1.29 | 1.30 | 1.32 | 1.34 | 1.36 | 1.37 |
| Less Transition Operating Res | *0* | *0* | *0* | *0* | *0* | | | | | |
| Cumulative TOW | *0* | *0* | *0* | *0* | *0* | | | | | |

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# Cash Flow

| RENTAL INCOME | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Sec 8 Increase* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* |
| **Sec 8 Rents** | NIA | NIA | NIA | NIA | NIA | N/A | NIA | NIA | 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%* |
| Affordehle Rents | 399,801 | 409,796 | 420,041 | 410.542 | 441,306 | 452,338 | 463.647 | 475.718 | 487,119 | 499.297 |
| TOTAL RENTAL INCOME | **399,801** | **409,796** | **420.041** | **430,542** | **441,306** | **452,338** | **463,647** | **475,238** | **487,119** | 499.297 |
| | | | | | | | | | | |
| OTHER INCOME | | | | | | | | | | |
| *Other Income Increcite* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| Laundry | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA |
| **Commercial** | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| | | | | | | | | | | |
| GROSS INCOME | **399,801** | **409,796** | **420,041** | **430.542** | **441,306** | **452.338** | **463,647** | **475,238** | **487,119** | **499,297** |
| | | | | | | | | | | |
| ***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%* | *5.00%* |
| Less: Vacancy **Loss** | 19,990 | 20,490 | 21,002 | 21,527 | 22,065 | 22.617 | 23.182 | 21.762 | 24,356 | 24.965 |
| **EFFECTIVE GROSS** INCOME | 379,811 | 389,306 | 399,039 | 409,015 | 419,240 | 429,721 | 440,464 | 451,476 | 462,763 | 474,332 |
| | | | | | | | | | | |
| OPERATING EXPENSFS | | | | | | | | | | |
| ***Annual Expense Increase*** | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 175.369 | 182,384 | 189,679 | 197,266 | 205.157 | 213,363 | 221,898 | 230.774 | 240,005 | 249.605 |
| Kcplacement **Reserve** | 10,033 | 10.033 | 10,033 | 10.033 | 10,033 | 10,534 | 10.534 | 10,534 | 10.534 | 10.534 |
| ***Annual Tax Increase*** | *2.00%* | *2.00%* | *2.00%* | *2.00%* | 2.00% | *2.00%* | *2.00%* | *2.00%* | 2.00% | 2.00% |
| Taxes end **Assessments** | 4,266 | 4.152 | 4.410 | 4,528 | 4.618 | 4.711 | 4,805 | 4.901 | 4,999 | 5,099 |
| TOTAL EXPENSES | 189,668 | 196,768 | 204,151 | 211.827 | 219,808 | 228,608 | 237.237 | 246,209 | 255,538 | 265,238 |
| | | | | | | | | | | |
| NET OPERATING INCOME | 190,143 | 192,538 | **194,888** | 197,188 | 199,433 | 201.113 | 203,228 | 205.267 | 207,225 | 209,094 |
| | | | | | | | | | | |
| DEBT SERVICE | | | | | | | | | | |
| **CHFA - 1st Mortgage** | 149,743 | 149,743 | 149,743 | 149,743 | 149.743 | 149,743 | 149.743 | 149,743 | 149,743 | 149.743 |
| **CHFA - Bridge** Loan | 0 | 0 | *0* | *0* | 0 | 0 | 0 | 0 | | |
| CHFA - 2nd **Mortgage** | 0 | *0* | 0 | 0 | 0 | 0 | *0* | 0 | *0* | *0* |
| **CASH FLOW after debt service** | 40,400 | 42,795 | 45,145 | 47,445 | 49,689 | 51,370 | 53,484 | 55324 | 57,482 | 59.351 |
| DEBT COVERAGE **RATIO** | 1.27 | 1.29 | 1.30 | 1.32 | 1.33 | 1.34 | 1.36 | 1.37 | 1.38 | 1.40 |
| **Less** Transition Operating Res | | | | | | | | | | |
| Cumulative TOR | | | | | | | | | | |

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## Cash Flow

| RENTAL INCOME | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Sec. 8 Increase*** | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* |
| Sec. 8 Rents | NIA | NIA | NIA | N/A | NIA | NIA | NIA | NIA | N/A | 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 | 511.779 | 524.574 | 537,688 | 551.130 | 564,909 | 579.031 | 593,507 | 608,345 | 621.553 | 639.142 |
| TOTAL RRNTAI, INCOME | SI1,779 | 524.574 | 537,688 | 551,130 | 564,909 | 579,031 | 593,507 | 608,345 | 623.553 | 639.142 |
| OTHER INCOME | | | | | | | | | | |
| ***Other Income Increase*** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Laundry | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA |
| **Commercial** | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA | NIA |
| TOTAL OTHER INCOME | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GROSS INCOME | 511,779 | 524.374 | 537,688 | 551,130 | 564.909 | 579.031 | 593,507 | 608,345 | 623,553 | 639,142 |
| ***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%* | *5.00%* |
| Less: Vacancy Loss | 25.589 | 26.229 | 26,884 | 27.557 | 2R.245 | 28,952 | 29.675 | 30.417 | 31.178 | 31,957 |
| EFFECTIVE GROSS INCOME | 486.190 | 498.345 | 510,804 | 523,574 | 536,663 | 550.080 | 563,832 | 577,927 | 592.376 | 607,185 |
| 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 | 259,589 | 269.972 | 280,771 | 292,002 | 303.682 | 315,830 | 328,463 | 341,601 | 355,265 | 369.476 |
| Replacement Reserve | 11,061 | 11,061 | 11,061 | 11,061 | 11,061 | 11,614 | 11,614 | 11,614 | 11,614 | 11,614 |
| ***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** | 5,201 | 5,305 | 5.411 | 5,519 | 5,630 | 5,742 | 5,857 | 5,974 | 6.094 | 6.215 |
| TOTAL EXPENSFS | 275,851 | 286,338 | 297,243 | 308,582 | 320.373 | 333,186 | 345,934 | 359,190 | 372,973 | 387,306 |
| NET OPERATING INCOME | 210,339 | 212,007 | 213.50 | 214,991 | 216,290 | 216,894 | 217,898 | 218,738 | 219,403 | 219,879 |
| DEBT SERVICE | | | | | | | | | | |
| CHFA - **1st Mortgage** | 149.743 | 149,743 | 149,743 | 149,743 | 149,743 | 149.743 | 149,743 | 149.743 | 149,743 | 149,743 |
| **CHFA - Bridge** Loan | | | | | | | | | | |
| CHFA - 2nd **Mortgage** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CASH **FLOW** after debt service | 60,596 | 62.263 | 63,817 | 65,248 | 66.547 | 67,150 | 68.154 | 68,995 | 69.659 | 70,136 |
| **DEBT** COVERAGE RATIO | 1.40 | 1.42 | 1.43 | 1.44 | 1.44 | 1.45 | 1.46 | 1.46 | 1.47 | 1.47 |
| Less Transition Operating Res | | | | | | | | | | |
| Cumulative TOR | | | | | | | | | | |

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Sycamore Square
Sycamore Square
363 Valle Vista Street
Hayward, Alameda
Sycamore Square
22650 Alice Streeet
Hayward, Alameda
Black Point
Vallejo
Birds Landing
Collinsville
Terra Linda
Santa Venetia
Ross
El Sobrante
North Richmond
East Richmond
Pacheco
Pleasant Hill
Walnut Creek
Antioch
Sand Hill
Corte Madera
Albany
Marin City
Berkeley
Orinda
Gloriette
Saranap
Marsh Creek Springs
Sausalito
Rheem Valley
Moraga
Alamo
Oaks
Diablo
U S Naval Station
Canyon
Danville
San Francisco
Alameda
OAK
Daly City
San Bruno Mountain State Park
Alameda
Pleasanton
Russell City
Kilkare Woods
San Bruno
Pacifica
Millbrae
Shelter Cove
Union City
Pabrico
Sunol
Hillsborough
Fremont
Montara
Sunol Regional Wilder
Moss Beach
El Granada
Alameda Creek
Half Moon Bay
Drawbridge
Atherton
San Mateo
Woodside
Alviso
Stanford
Neal
Berryessa Creek
Adobe Corner
Agnew
Tunitas
Los Altos
Sky Londa
Portola Valley
San Jose
San Gregorio
Redwood Terrace
Evergreen
Cupertino
Lick
San Mateo Coast State Beaches
Saratoga
Pescadero
Portola State Park
Butano Park
Butano State Park
Coyote
Castle Rock State Park
Big Basin Redwoods State Park
Lexington Reservation Water Recreation Are
Redwood Estates
Madrone
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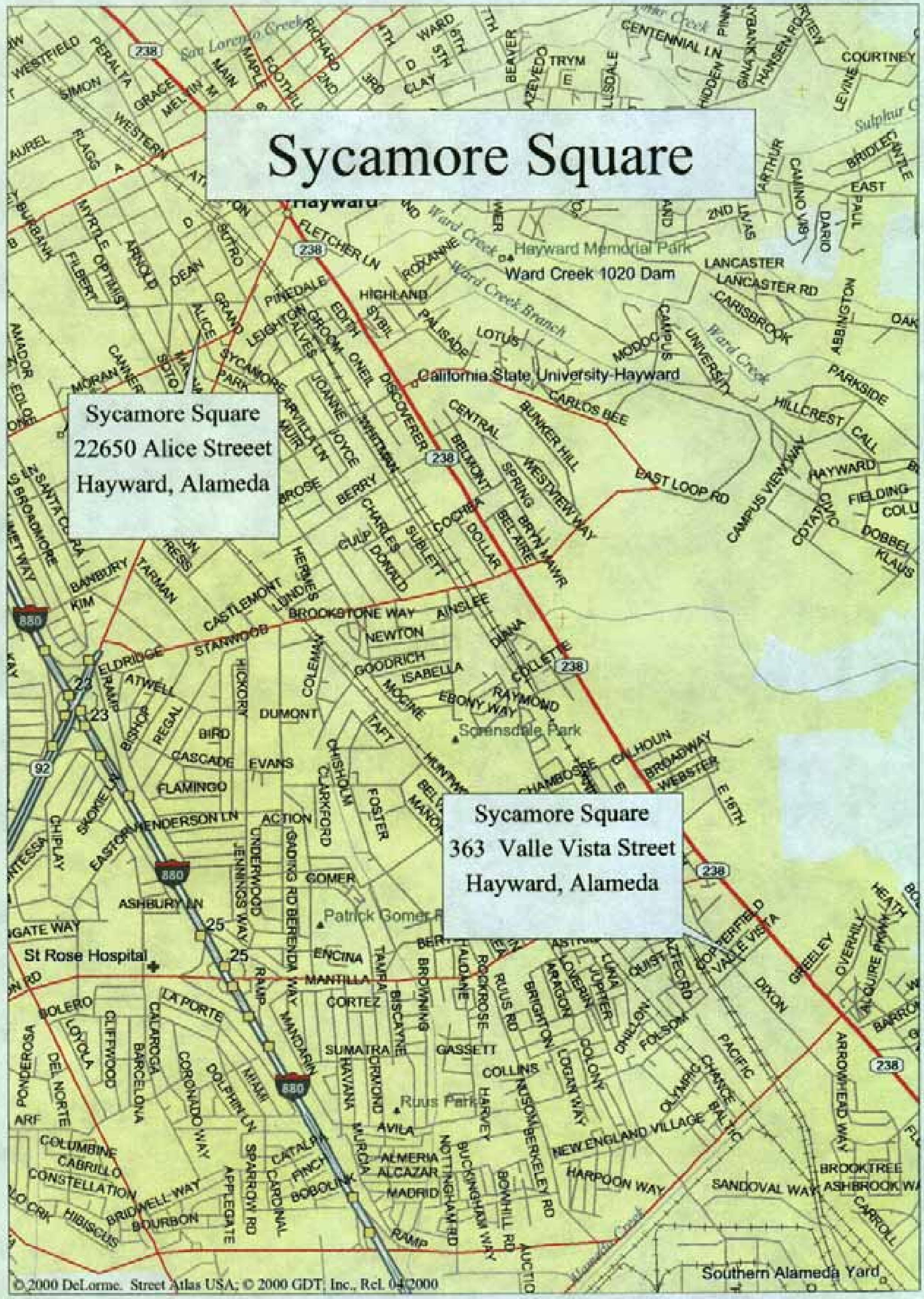
Sycamore Square
Sycamore Square
22650 Alice Streeet
Hayward, Alameda
Sycamore Square
363 Valle Vista Street
Hayward, Alameda
California State University-Hayward
Hayward Memorial Park
Ward Creek 1020 Dam
Sorensdale Park
St Rose Hospital
Southern Alameda Yard
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RESOLUTION 01-28

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Eden Housing Inc., a California nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 26-unit multifamily housing development located in the City of Hayward to be known as Sycamore Square (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 8, 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 June 8. 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 | MORTGAGE AMOUNTS |
|---|---|---|---|
| 01-022-N | Sycamore Square<br>Hayward/Alameda | 26 | |
| | | First Mortgage: | $2,150,000 |
| | | Second Mortgage: | $ 290,000 |

2. 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 increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily 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 01-28 adopted at a duly constituted meeting of the Board of the Agency held on June 26, 2001, at Sacramento, California.

ATTEST:______________
Secretary

**State of California**

# MEMORANDUM

**To:** Board of Directors

Date: June 12,2001

Ken Carlson, Director of Financing

**From:** CALIFORNIA **HOUSING** FINANCE AGENCY

**Subject:** Workshop Presentation on CHFA's Interest Rate Risk Exposure

This is the third of the three workshops on variable rate bonds and interest rate risk that we had planned to present to the Board. We look forward to this third opportunity to share with the Board information on this important topic.

Attached is a summary of the subject matter to be presented by David Notkin. Director, Merrill Lynch & Co. Mr. Notkin will also provide handouts at the meeting.

Attachment

## Board Presentation Summary

As part of the Business Plan development and credit rating affirmation processes each year, the Agency and Merrill Lynch & **Co.** (one of its senior managing underwriters) work together to perform consolidated cash flow analyses for its large, active bond indentures. Over the past four years, the Agency's issuance of variable rate bonds and hedging with interest rate swaps has increased the importance of these analyses to all of the parties involved. On June 20th, the Agency, joined by members of Merrill Lynch's housing finance' group and Swap Financial Group (its interest rate swap advisor), is scheduled to meet with Moody's Investors Service and Standard & Poor's Corporation to present the latest CHFA Five-Year Business Plan, the consolidated cash flow analyses and other relevant financial information.

Some of the more important data and findings from the rating agency presentations will be presented to the Board on June 26th. Merrill Lynch will be represented by David Notkin, a Director in Merrill's Housing Finance Group.

A significant portion of the consolidated cash flow analyses is allocated to interest rate risk sensitivity analyses associated with the use of variable rate bonds and interest rate swaps under the Agency's two currently active bond indentures -- Home Mortgage Revenue Bonds and Multifamily Housing Revenue Bonds III. The interest rate risk sensitivities studied included those associated with theoretical changes in short-term interest rates due to market and/or tax code changes and their impact on the financial strength of the indentures.

Three sets of interest rate risk sensitivity assumptions are utilized – Moody's, Standard & Poor's and Merrill Lynch's. The two rating agencies have established interest rate fluctuation criteria for both taxable and tax-exempt variable rate bonds. Under those interest rate change scenarios. single family cash flows are performed at specified mortgage prepayment speeds. Merrill Lynch's assumptions study various stable bond interest rate scenarios at mortgage prepayment speeds projected for each loan pool by that firm's mortgage research department. The rating agencies require the performance of significant tax code change sensitivities as well. The assumption used to perform these sensitivities is that the Agency's short-term tax-exempt bonds trade at rates equal to 75% of similarly structured taxable bonds. Such would be the case if the maximum marginal tax rate for corporations and/or individuals were reduced to approximately 25%. Merrill Lynch performed a separate worst-case tax risk scenario whereby the federal tax system is completely overhauled to a value-added or consumption tax system only. Under this type of scenario, tax-exempt variable rate bonds would be expected to trade at levels equivalent to those of similarly structured taxable bonds. The specific cash flow sensitivity criteria and results will be reviewed during the presentation.