CHFA BOARD OF DIRECTORS TELECONFERENCE MEETING

Wednesday, October 10,2001

California Housing Finance Agency Headquarters
Seventh Floor Conference Room
1121 L Street, 7th Floor
Sacramento, California
(916) 322-3991
and
California Housing Finance Agency – Los Angeles Office
100 Corporate Pointe, Suite 250
Culver City, California
(310) 342-1250

10:00 a.m.

1. Roll Call ....

2. Approval of the minutes of the June 26, 2001 Board of Directors meeting.. .... .702

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

4. Discussion, recommendation and possible action relative to final loan commitments for the following projects: (Linn Warren)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
00-042-N	Union Court	Manteca/ San Joaquin	68

Resolution 01-29.. .834

NUMBER	DEVELOPMENT	LOCALITY	UNITS
01-027-N	Life Services Alternatives	Santa Clara/ Santa Clara	15

Resolution 01-31.. .870

NUMBER	DEVELOPMENT	LOCALITY	UNITS
00-043-N	International Boulevard (modification)	Oakland Alameda	24

Resolution 01-34..928

5. Other Board matters.

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

NOTES

ANY PROJECT ITEMS ON THE AGENDA FOR THE BOARD MEETING THAT WAS CANCELLED ON SEPTEMBER 13,2001, THAT ARE NOT ON THE BOARD AGENDA FOR THE OCTOBER 10,2001 MEETING, HAVE BEEN WITHDRAWN FOR CONSIDERATION FOR THIS MEETING AND WILL BE REAGENDIZED FOR A FUTURE CHFA BOARD MEETING.

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be November 8, 2001, at the Clarion Hotel, San Francisco International Airport, Millbrae, California.

State of California

MEMORANDUM

To : Board Members and Interested Parties

Date: September 26, 2001

JoJo Ojim

From : CALIFORNIA HOUSING FINANCE AGENCY

Subject: TELECONFERENCE OCTOBER 10,2001 CHFA BOARD MEETING: REPLACEMENT/INSERT PAGES

Please be advised that you will not be receiving a new Board package for the upcoming teleconference Board of Directors Meeting to be held October 10,2001. Instead, the relevant portions of the Board package for the cancelled September 13 meeting will be used with the enclosed replacement pages as follows:

1.	Agenda	Pages 700-701
2.	Resolution 01-29 Union Court project	Pages 850-851
3.	Resolution 01-31 Life Services Alternatives	Pages 886-887
4.	Resolution 01-34	Pages 942-943

If you have any questions concerning the enclosed material, please feel free to contact me at (916) 322-3958.

Enclosures

CHFA BOARD OF DIRECTORS

Thursday, September 13, 2001

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

9:00 a.m.

1. Roll Call..

2. Approval of the minutes of the June 26, 200 Board of Directors meeting.. 702

3. Chairman/Executive Director comments...

4. Discussion, recommendation and possible acti n relative to final loan commitments for the following projects: (Linn Warren)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
00-042-N	Union Court	Manteca/ San Joaquin	68

Resolution 01-29.. 834

NUMBER	DEVELOPMENT	LOCALITY	UNITS
00-033-N	Delaware Place	San Mateo/ San Mateo	16

Resolution 01-30.. 852

NUMBER	DEVELOPMENT	LOCALITY	UNITS
01-027-N	Life Services Alternatives	Santa Clara/ Santa Clara	15

Resolution 01-31.. 870

NUMBER	DEVELOPMENT	LOCALITY	UNITS
01-008-L	Far East Building	Los Angeles/ Los Angeles	16

Resolution 01-32. 888

NUMBER	DEVELOPMENT	LOCALITY	UNITS
01-036-N	Country Hills	San Jose/ Santa Clara	152

Resolution 01-33. 908

NUMBER	DEVELOPMENT	LOCALITY	UNITS
00-043-N	International Boulevard (modification)	Oakland/ Alameda	24

Resolution 01-34. 928

5. Discussion, recommendation and possible action relative to updating CaHLIF's 2001/02 to 2005/06 Business Plan. (John Schienle)

6. Other Board matters ....

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

****NOTES****

HOTEL PARKING: Day parking rate: $7.50/car, plus 10% tax with no in and out privileges. (Cash at gate.)

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be November 8, 2001, at the Clarion Hotel, San Francisco Airport, Millbrae, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

The Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Tuesday, June 26, 2001
9:30 a.m. to 12:29 p.m.

Reported and Transcribed by: Ramona Cota

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A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

JULIE I. BORNSTEIN

CARRIE A. HAWKINS

KEN S. HOBBS

ROBERT N. KLEIN II

PAT NEAL

THERESA A. PARKER

ANNETTE PORINI

JEANNE PETERSON

TONI SYMONDS

Staff Present:

TOM HUGHES, General Counsel

JOJO OJIMA

For the Staff of the Agency:

KEN CARLSON

JIM LISKA

KEN REINER

DIANE RICHARDSON

LINN WARREN

APPEARANCES (CONTINUED)

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public (In Order of Appearance):

LYDIA TAN, BRIDGE Housing

DAVID NOTKIN, Merrill Lynch & Company

JASON STEVENS, Merrill Lynch & Company

INDEX

	Page
Proceedings	6
Roll Call	6
Approval of the minutes of the May 17, 2001 Board of Directors meeting	7
Chairman/Executive Director comments	9
Resolution 01-20	34
Motion	37
Vote	37
Resolution 01-21	38
Motion	47
Vote	47
Resolution 01-22	48
Motion	52
Vote	53
Resolution 01-23	53
Motion	65
Vote	66
Resolution 01-24	67
Motion	68
Vote	68
Resolution 01-25	70
Motion	73
Vote	74
Resolution 01-26	75
Motion	83
Vote	83

I N D E X (C O N T I N U E D)

	Page
Resolution 01-27	84
Motion	90
Vote	90
Resolution 01-28	91
Motion	95
Vote	95
Discussion of status of AB 999	96
Other Board matters	105
Public testimony	108
Presentation	108
Adjournment	128
Certification and Declaration of Transcriber	129

P R O C E E D I N G S

TUESDAY, JUNE 26, 2001 SACRAMENTO, CALIFORNIA 9:30 A.M.

CHAIRMAN WALLACE: All right, let's call this meeting of the California Housing Finance Agency Board of Directors to order. We'll start out with a resounding calling of the roll.

ROLL CALL

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

MS. PETERSON: Here.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Here.

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

MS. NEAL: Here.

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Easton?

(No response).

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Present.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. OJIMA: Ms. Porini for Mr. Gage?

MS. PORINI: Present.

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: Good. Let's get official then.

APPROVAL OF THE MINUTES OF THE MAY 17, 2001 MEETING

The second item on the agenda is approval of the minutes of the May 17, 2001 Board Meeting. Any additions, corrections? I've got a couple of small ones. Anybody else? Look to page 805, line 8. It says: "...there typically is year-..." The word *end* is incorrect, it should be year-in, I-N. Easy to mistake that. So it's year-in instead of year-end. And on page 813: The last line, 25 on 813. It's not Gerald Singer, it's Joel, J-O-E-L. Joel Singer. Those are the only corrections that I found. *Any* others by anyone? Board? Audience? Hearing none the Chairman will entertain a motion for approval as amended.

MS. PETERSON: So moved.

MS. NEAL: Second.

CHAIRMAN WALLACE: Peterson and Neal, motion and second. *Any* questions or comments on the motion? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: I was not present but I read the minutes so I will vote aye.

MS. OJIMA: Thank you, Ms. Hawkins. Mr. Hobbs?

MR. HOBBS: I'll ditto Ms. Hawkins' comments. I was not present, I have read the minutes.

CHAIRMAN WALLACE: Does that mean you're going to vote aye?

MR. HOBBS: Aye.

CHAIRMAN WALLACE: Okay, Ken.

MS. OJIMA: Thank you, Mr. Hobbs. Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: The minutes have been approved.

CHAIRMAN WALLACE: The minutes of the May 17, 2001 Board of Directors meeting have been approved.

EXE(DIRECTOR

Item 3, where the Chairman and Executive Director have any unagendized comments or updates. There's a number of them I think that Terri will handle. I'm looking to--as a reminder--to hopefully wrap the primary agenda up by about noon. You recall we then have a discussion from some of the credit rating services and so on that Ken Carlson has arranged with David Notkin, the director of Merrill Lynch, one of our underwriters. Ken tells me that will probably take, in direct presentation, about 15 minutes. This is the third of a continuing series of continuing education of the Board. My guess is, typically, if it's 15 minutes we will double it with questions so I would say a half hour. It could stretch a little depending on how many questions.

If that is the case, and depending on how we are doing on the main agenda, I'll be inclined to work through and not break for lunch and come back. Hopefully, we'd be out of here by one o'clock at the latest. Sound okay? Anybody got to catch a plane? We have got so many Sacramento natives here on the Board now that we should be okay except for Carrie and me, right. Hobbs, you're not going to catch a plane.

MR. HOBBS: We drove. No airplanes this time.

CHAIRMAN WALLACE: Pinole is just around the corner.

MR. HOBBS: Just around the corner, Mr. Chairman.

CHAIRMAN WALLACE: Okay. Well, that's kind of the overall format for the agenda. Terri, you have got a number of update items and other comments.

MS. PARKER: Thank you, Mr. Chairman. I am actually very pleased that everyone made the transition from the airport to the Holiday Inn. We apologize for having to change our location but the Host Hotel informed us that they would no longer have a facility that could be rented. So in Sacramento we are likely to use the Holiday Inn in the future.

We do have, I believe, JoJo, somewhere in our materials we have given or sent to them the agenda dates for next year.

MS. OJIMA: That's correct.

MS. PARKER: So please check your calendars. If there are problems with those dates if you could let JoJo mow. If it looks like there's going to be quorum problems Eor those dates, if we know that ahead of time then we can jet revised dates out to you, given how far all of you put all of your schedules together.

CHAIRMAN WALLACE: You substituted, on that score, the Westin for the Clarion. Which I think is great.

MS. PARKER: JoJo managed to get a wonderful rate from them and we are taking advantage of their facilities.

CHAIRMAN WALLACE: Well, that's a step --

MS. PARKER: It's right down the road.

CHAIRMAN WALLACE: It's a step up. It's a step down the road but up in facilities. Yes, right next door. It's a nice hotel, better facilities.

MS. PARKER: I just want to run through a couple of items that Board Members asked about at our last Board Meeting and report back to you and also tell you that the staff and I have just come back from a very successful meeting to New York where we met with our bankers and with the rating agencies. Much of the information that we talked about with the rating agencies David will cover in his presentation today.

All of them were very good meetings. It's a delight to do the meetings with the rating agencies because we have such great news from CHFA to tell them. Particularly, I think, this year where we had meetings both on the CHFA side and the CaHLIF side. We met with the side of S&P that does the ratings on the insurance fund. We talked with them about our interest in pursuing a rating increase given John's production of that program and the accomplishments that have been achieved. We think that we can demonstrate that the fund, essentially, is a good credit risk and we would like to see the rating agencies recognize that. So we are going to be having further discussions with them and pursuing that.

But again, what we essentially talked with them all about is the Business Plan that we just completed this year where we met or exceeded all of the Business Plan's goals and moving into this next year, an even more aggressive Business Plan that we think is appropriate given the housing demands in California.

Going through the list of items from the last Board Meeting, just to update you: There was a member of the public who came and testified and asked the body for assistance, Mr. Joseph, about a CHFA loan that he had for a condominium. He, essentially, had concerns about his property being involved in what he felt were problems related to earth movements and had been trying to seek a legal remedy for it.

We sent staff down to look at the property. It is a CHFA loan. We actually have a couple of loans in that particular project. Staff went and looked at the property, looked at the property of other people who we have loans with, and it was basically our assessment that the cracks that were referred to by the owner are not the result of any earth movement. This is a 23-year-old project. It, basically, looks to be pretty much normal wear and tear. They appear to be repairable and this was discussed with the owner. So we have communicated this to the owner. We have sent him a letter. Although we have offered in the letter for any further discussions, both either through our legal side or our program side, we have not heard from Mr. Joseph further.

There was an issue raised by Mr. Klein at the last meeting about wanting some additional information on tenant assistance for utilities. Mr. Warren has a memo and will be talking about that during his presentation.

The Board took action at the last meeting to allow us the authority to go and pursue delegated D&O insurance. Tom is working with two brokers. We have not got specific quotes back yet. Apparently we are in the middle of a very competitive time in the insurance business where a lot of people are doing renewals and so any new business and underwriting for new business comes in, in that same time frame. The expectations though, from what we have heard from at least one of the brokers, are that we will get a number of bids so that we will have the benefit of a highly competitive process. So we will continue to report on that at our next meeting.

And then last but not least, Ms. Symonds raised some issues with respect to what CHFA is doing with self-help builders and leapfrog development. We are currently working with her to try to put a meeting together to have some further discussions on that. So with that, Mr. Chairman, I conclude my remarks.

CHAIRMAN WALLACE: Do you want to talk about small projects now or when that comes up? Probably not right now.

MS. NEAL: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Pat.

MS. NEAL: Before Terri leaves the Mr. Joseph condo. Did we check with the homeowners association and see what they did with the settlement money?

MS. PARKER: We did. What we have heard back is that, I think the settlement, Clint, if I'm correct, was about $100,000. The majority --

CHAIRMAN WALLACE: $189,000.

MS. PARKER: The majority of it will go to the attorneys but I think there's some residual amount. They are currently going through an accounting of it and will have a report, but it's a very small amount of money. And I think that primarily what it would be utilized for is common areas.

MS. NEAL: And on Mr. Joseph's, do we have an estimate of what it would cost to repair his cracks?

MS. PARKER: I can ask our staff person who went down and looked at it. I think that the feeling was that depending on if this was something that you did yourself it would be not very expensive, a few hundred dollars. And Clint actually talked with Mr. Joseph about how you would do it. Obviously, if they hired someone it would be some greater amount of money. Mr. Joseph informed us that he really wasn't interested in pursuing, sort of, getting those issues fixed.

We also had talked with him, Clint talked with him, about whether or not he's ever actually listed his property, which he has not. So we are not sure, you know, what his strategies are. But, you know, we, essentially, talked with him about, you know, what could be done and whether or not these things are -- what degree of difficulty they are. Apparently, the cracks are pretty much along wall lines where they could be repaired.

(Mr. Robert Klein entered the meeting room.)

CHAIRMAN WALLACE: The bottom line was, basically though, it wasn't related, as he indicated to us, to the earth movement or soil problems on the common area. It was more related to a 23-year-old unit that had significant -- normal wear and tear that was probably repairable.

MS. PARKER: I think one of the examples that, I think, caught most of the Board Members' attention was this discussion that there was a retaining wall. Well, when staff went and looked at the retaining wall, basically what that was, it just was a boundary fence that separated two pieces, basically, property of level land. It wasn't holding earth up. So I think, you know, that was something that caught, I think, people's attention and concern. And when we went out and looked at it, this was probably a situation more that they had not, when they had laid the foundation for the wall, done the concrete deep enough. But it was not a wall holding earth up. In that sense, a true retaining wall.

MS. NEAL: So he can live in the condo.

MS. PARKER: Oh, yes. We have three or four loans. We have not -- The rest of our mortgagees are paying their loans; there's not any problems. Clint when he was out there, there's property for sale, there's property that's selling.

CHAIRMAN WALLACE: Well, and fundamentally, there is not a lot we can do about it anyway. We are not a party to the action that might ensue if he chose to go, legally, as he implied he might. We are a lender and we expect our loan to be paid. So I think, bottom line after our on-site analysis, Clint, I guess, and talking to others and assessing the situation is, he ought to be paying his loan. If he doesn't, I suspect we will go through the normal procedure that involves a foreclosure and he does so at his risk. It was not quite like he painted it at the Burbank meeting.

MS. HAWKINS: He mentioned that the windows and doors did not close properly. Was that not then, you know, a valid complaint?

CHAIRMAN WALLACE: Well, if it is the action really is not against us. what he is doing is withholding his payments to us as of June 1. We have got to do what we have got to do. And I talked to Terri about it after the analysis came out and we will just have to wait and see. The ball is in his court. It is no longer -- And according to our internal assessment, it is not our problem, which we probably suspected when he testified before us, anyway. But I think when we have something like that we owe it to ourselves, if not to one of our borrowers, to make a studious analysis. We have done that. The analysis shows it is not our problem. The ball is in Mr. Joseph's court.

MS. PARKER: Clearly, Carrie, we essentially looked at both the interior and the exterior damage for things that would have been key signals if there was earth movements. There are no visible cracks in the patio, for example. Things just sort of don't hold water.

CHAIRMAN WALLACE: Bad term.

MS. PARKER: Well.

CHAIRMAN WALLACE: Try another.

MS. PARKER: The facts did not bear out what Mr. Joseph alleged was the concern with his property. That is probably a much more correct statement. And again, the staff went down and walked through all this. We walked through several properties that we also have loans on and talked to folks. I think we probably did more than what a typical lender would do. I think we did it from the standpoint to see whether or not if there were some basis and he really was being disadvantaged by not having some kind of a voice, that there was some assistance that we could provide. Not necessarily with forgiveness of his loan.

But there did not appear to be anything really credible with the comments that he had raised. We have written him a letter. Our recommendation to you all is this is a person who has a contractual obligation to the Agency and we have to, essentially, hold him to his contractual obligation. That's what we, essentially, have written a letter and told him.

CHAIRMAN WALLACE: Okay?

MS. NEAL: Yes, thank you.

MS. HAWKINS: Thank you.

CHAIRMAN WALLACE: Moving on, we are to Item 4 then on a number of final loan commitments. Linn, I know you have some preliminary remarks, including a report in here that you wanted to discuss in advance of project approvals.

MR. WARREN: Thank you, Mr. Chairman. Members of the Board. Before I start on the projects that we have today--and we have a fair number of them--so what I would like to do on the presentations is go through the main features of the individual projects, show you the pictures, then leave as much time as we need for questions at the end.

But there are a couple of things I would like to cover at the outset. The first, as Terri indicated, there is a short, two page memo that I prepared at the request of the Board from the last meeting regarding tenant assistance for low income renters in California. The second thing I would like to talk about is where we are from a policy and underwriting standpoint with respect to utility costs.

So the first thing I would like to talk about is the payment assistance for low income and then there is this two page memo dated June 25. In a nutshell there are, really, three forms of assistance that are available for low income residents in California. There is the federal program, which is the Low Income Housing Energy Assistance Program or LIHEAP. This is a program that has been around since 1981 and was actually in response to the energy crisis of the late 1970s. This was a fairly obscure program for a number of years but recently in the last two years it has gained a lot of prominence. In the budget for the upcoming fiscal year, President Bush has recommended $1.7 million. Congress, namely the Senate, has recommended $3.4 billion. California, by definition, is the largest recipient of these funds.

Basically, how LIHEAP works is the California State Department of Services and Community Development takes the funds and then contracts with individual service providers at the locality level, there's about 60 of them throughout the state, who in turn deal with individual tenant requests. These tenants then ask for one-time grants. The average in the state is $187; it can go as high as $350 under **LIHEAP**. It is limited. **A** tenant's earning income is not to exceed 150 percent of the federal poverty level or 60 percent of the state median income. So there are a number of tenants under **LIHEAP** that cannot be reached and the state has responded to that. **I'll** get to that in a minute. There are discussions underway in Congress to increase the income limits to 200 percent of the poverty level for more high income areas.

Because the income limitations on **LIHEAP** are so low, the state, last year passed **CAL-LIHEAP**, which is a complement program and it differs in a couple of very significant ways. The first is, the income limitations are up to 250 percent of federal levels so it reaches far more Californians than under federal **LIHEAP**. The second is, under **JAL-LIHEAP** you can have multiple payments. $187 in today's utility environments may not go very far. Under **CAL-LIHEAP** they can have several in that particular price range, which would help tenants.

The third area is, weatherization and appliance upgrades. Whereas the federal program focuses on weatherstripping, insulation and those types of physical repairs, **CAL-LIHEAP** goes toward appliance replacements, heavier insulation and windows replacement. So it is a more direct and targeted level of assistance. We think that is a very good supplement and that funding, hopefully, will continue.

The third area has to do with the assistance that is granted by the utility companies. The most common of this is CARE. CARE is a program that is offered by all the utilities in the state and essentially what it does is, it reduces the payments for income-qualified individuals. Fifteen to 20 percent of their utility bills are, basically, written off. San Diego Gas & Electric, for example, has 20 percent. PG&E has 15 percent and there is movement afoot to nake them all 20 percent. This is not a funded program. It is basically a reduction in the bills themselves.

An important component of CARE throughout all the utilities is that once you are eligible for the CARE program you are not subjected to rate spikes. So in other words, if there is a large increase in utility costs, as we saw last summer in San Diego, someone under CARE would not be subject to that and would be able to pay at the normal rate. So we think there are a number of programs out there and if the Board would like additional materials we can certainly supply hem to you.

But the question for us is, what does this do with espect to the CHFA programs? We felt that on all of our existing projects and all those that are in the pipeline, we will be requiring sponsors to gather this information, distribute all the information, both the state, federal and utility programs, and mandate these folks that their tenants be informed of these programs.

We have meetings scheduled with San Diego Gas & Electric, for example, they are adopting a very aggressive program of refrigerator replacement, for example, appliance replacement. They have asked that they have access to our projects in the San Diego area to place their materials for the benefit of the tenants. So, in the future if there is a budget request that comes to CHFA on one of our projects it will be evaluated in light of the sponsor's efforts to educate the tenants on these utility programs.

Overall, though, where we are now with respect to utility issues: There are really three main thrusts that we want to impart to all of you, and they show up in all the projects today. The first, operating budgets have been increased for utility and gas by approximately 40 to 60 percent. That seems to be a standard average of increases. Anecdotally, there are much higher increases around the state but we feel this is a good middle ground to increase the budgets over one and two years ago.

The second thing that we are doing is targeting our operating expense reserves, which has been a component of

CHFA underwriting since the Agency started. Traditionally, what the OER does is, it is in place for two years after stabilized occupancy. In the event utility allowances increase dramatically--and it is not altogether clear if they will, but they may--then that, obviously, impacts the debt coverage ratios of our properties. By keeping the operating expense reserve in place for a period of time as you ride out this issue, we feel that will have a dampening effect on any spikes on utility allowances. But interestingly, in the county of Santa Clara, in looking at those projects, they have not, as yet, adopted higher utility increases. So we will see how that all plays out.

The third component of the energy strategy, which is new, is the introduction of a new reserve called the utility stabilization reserve. In the past the Agency has required reserves for marketing and rent-up, for which a normal commercial lender would ask, but rarely are they utilized in our projects because they are normally occupied by the time we fund our loans. But borrowers do budget for these reserves.

So we then decided to ask--require is a more appropriate way to state it--that 150 percent of annual gas and electric charges be reserved against this utility stabilization reserve. And this can last for upwards o two to four years depending on where we are at with energy prices in California and how effectively the sponsors manage these things. So we feel that this is an important way to hedge our bets on this. We are not out of this crisis yet, obviously, but movement is being taken to solve the problem. We think this is an appropriate way to address it.

The final area I want to get to before we get to the projects has to do with design and architectural requirements. We have debated internally for some time as to what requirement we should impose on our projects. We elected to focus on what we think are the two most important areas. Under **CDLAC** and **TCAC** there are extra points being awarded for energy efficiency. We feel, with our architectural staff and the inspectors that we hire, that an appropriate role for us is to monitor and enforce the compliance with these guidelines, where other lenders may not have the capacity to do that. So we will be watching what borrowers do to see if they comply.

The second area is, should we ask for additional design requirements? Obviously, we are sensitive to burdening sponsors with too much design, but we feel it is appropriate for us to focus on **HVAC**, heating and air conditioning, which are the greatest areas of energy leaking in these projects. So our folks will be looking at each of the projects to see if there are improvements that we can make and if we can have design issues increased to meet those areas.

So that is essentially where we are at, Mr. Chairman, on the utilities. It is an ongoing issue. We think, though, we are being prudent in these reserves and the design guidelines. But most importantly, we want to try to create an environment where the loans that our borrowers ask for, we are able to fund. We don't want to blithely chop the loan amounts in response to this problem, which we think can harm projects. So we are trying to keep the loan requests and the debt loads up to where the borrowers wish them to be and reserve around the problem for future occurrences.

CHAIRMAN WALLACE: That meeting with project sponsors? What is the reaction, Linn?

MR. WARREN: Their request, Mr. Chairman, simply has been, please don't reduce our loans, let's find a different way to reserve against the problem. Because if we start chopping loan amounts, then these will become infeasible. And many competing lenders, quite frankly, are not reducing their loan amounts either. They are trying to do exactly what we are doing, which is reserve against this. So the stuff still has to get built. We still have to fund these loans. I think that we have to try to find a way to do both, to hedge against the risk of the utility issues but still build the projects.

CHAIRMAN WALLACE: The Chair would like to acknowledge that Mr. Klein has arrived and probably wants to speak on this subject, since he initiated it earlier. Bob.

MR. KLEIN: Thank you, Mr. Chairman. First of all, I think the staff has taken a solid, comprehensive approach to this subject. I would hope that on the proactive side that we could have flexibility in how much we are marking up our energy costs for project sponsors who are aggressively going after conservation measures.

That is, our recent studies have shown that on an acquisition/rehab you can reduce your utility requirements by 40 percent, as against existing cases. Well, obviously, if you reduce your utility requirements by 40 percent, that means even if you have a 50 percent increase on your base you are at 90 percent of what your existing case was. Therefore, a sponsor who is trying to maximize their net operating income could get the benefit with an aggressive retrofit program of not having a 50 percent increase in their existing utility case budget in the underwriting.

Therefore, in looking at this overall package in cases where the sponsor is taking up the incentives from TCAC and CDLAC that have so well been put out there, and follow the direction of our staff in looking at these design opportunities, hopefully on the underwriting side we give them the full benefit of that. If they come in with a utility study, which can be obtained fairly quickly, that supports this case.

Now, a lot of developers, the vast majority are not going through the brain damage of getting utility studies, I know that. But to the case where if they knew they had the opportunity with an aggressive program that was properly documented of not having these additional reserves because they had proactively reduced their energy consumption, that helps state policy, it helps them and the project remains secure.

MR. WARREN: That's right, Mr. Klein. As a matter of fact, in the interest of time I dropped my last bullet point which was, encourage new technologies. But that is exactly right and I think it is an incentive. Because it does pay for itself in the long run and we want to see what the technologies are. And as we discussed before, one of our concerns clearly is, what is the long-term durability of those and what are the warranties and all the good questions you should ask. But that all said, now is the setting to see those types of technologies.

CHAIRMAN WALLACE: Good. I think you agree we are on the right track though, Bob. Yes, Jeanne.

MS. PETERSON: I just wanted to echo the same sentiments that Mr. Klein expressed and that is, that what we are going to see, of course, coming on line, are buildings that are going to be much more energy efficient as a result of the TCAC and CDLAC changes in regulations and encouragement of that. I wanted to ask a couple of questions. One was: How have the operating expense reserves been increased? Is it by a certain percentage? I either missed that or. . .

MR. WARREN: The operating budgets have been increased. The core budgets for the operating costs have been increased 40 to 60 percent and the operating expense reserves are still the same number, which is essentially 10 percent of gross income. Then in addition to that we have added, basically, a second reserve, which is the utility reserve, which is also, roughly, about 10 percent of gross income.

MS. PETERSON: And that is equal to 150 percent?

MR. WARREN: Of an annual utility cost budget for :hat particular project for a year, is generally how we have sized it. Some have been more.

MS. PETERSON: And so, presumably, that's coming out of what would otherwise be the developer fee?

MR. WARREN: No. To a degree. But as I said, we have had these reserves that always get budgeted for anyway as a capital cost that are seldom used, and usually a form of letter of credit. So in some cases, yes, it could come out of developer fee. Or it could be part of the capital budget at the outset.

MS. PETERSON: And to the extent that they are not used?

MR. WARREN: They get returned. If it is a cash deposit then it is cash that is returned to the sponsor as an earned out fee. If it's a letter of credit then it is a letter of credit that is released after the period of time.

CHAIRMAN WALLACE: Like, how long?

MR. WARREN: Well, interestingly, on the utility stabilization reserves, a minimum of two years. And one of the questions for us is, if we fund the loan at acquisition, which we do on a lot of the preservation deals, is it appropriate for us to release that after two years, what is essentially construction and stabilization? The answer may be, yes. When we fund loans on a permanent take-out basis, which is after construction, then that would definitely be two years. So you could have a four year range, theoretically, from today until the time you actually release the reserve.

CHAIRMAN WALLACE: The developer would have to request that or do we --

MR. WARREN: It is prescribed in it and it is usually at the discretion of the Agency.

CHAIRMAN WALLACE: Toni? Oh, you had a couple of questions, Jeanne.

MS. PETERSON: I just had one more and that is:

Have you talked to any conventional lenders? Do you see any trend by the lending community, notwithstanding the fact that the syndication community may be doing something similar to this? And if the lending community is not doing something like this right now do you think it will have a deleterious affect on applications to us?

MR. WARREN: Let me answer the second part of your question first. Yes, possibly it could. It could reduce applications to the Agency. But that's fine, I guess, is the answer to that. We always weigh the risk of that. What the rest of the industry is doing. I don't think they are being as aggressive as we are. I think some lenders, anecdotally, as I said at the outset, are actually reducing loan amounts as a way to hedge it. You see stories about $1 million here, $1 million there being reduced.

Other lenders are looking at the political activity and saying, this will all be'taken care of in two years, I don't have to worry about it. I have had lenders say that to ne, say, it is going to be fine. And I think a lot of it has to do, quite frankly, with losing business by taking an aggressive approach to hedge against these issues and not willing to do that. That is one extreme, Ms. Peterson, and it is everything in-between.

But I think you are right. The equity investors, since they are owners, are being more aggressive--and this is my opinion'-then the lenders are in setting forth requirements to mitigate this.

CHAIRMAN WALLACE: Toni.

MS. **SYMONDS:** Actually, just kind of following up on some of that. I wonder if you have had an opportunity to talk to **HCD** to the extent that you have money in similar projects, or the same project, so that we do not have one state entity asking for certain kinds of reserves and another one asking for different. I'm just thinking that down the line when people come back and start asking for rental increases and people start going, well, where did you put your money, that might be useful. Maybe you have already done that.

MR. WARREN: I don't think we are overlapping with **HCD's,** particularly the **MHP** program. I know there's a set of guidelines. But I know HCD folks--Julie, you can comment on it--are looking at this, they have concerns about it. Maybe Julie can comment on it.

MS. BORNSTEIN: In the MHP program we do have another round of funding that will come out this fall and prior to that time we are starting a regulation package. **So we** are tracking what the other lenders are doing. Keeping in touch with TCAC, CDLAC, and certainly with what CHFA does, so that we would not have those kinds of inconsistencies. Trying to complement those.

MR. WARREN: I would point out, Ms. Symonds, HCD has a very good questionnaire that they have put out for everyone to answer and I think that they are gathering some very good actual evidence. Ours is, with our portfolio, anecdotal, but they are actually going to the industry and asking for a lot of core data to find out how bad the situation is.

MS. BORNSTEIN: We are actually following it up one step beyond that. We have done the survey of the developer community that is in our portfolio. We are pulling that data together. But we are also working with the Energy Commission and doing energy assessments on two levels. One is, we are doing an energy assessment of the migrant farm worker centers that we own, and that as owner then we have control over certain types of retrofit or conservation measures.

We are also then asking them to look at some fairly typical projects that are in our lender portfolio that might then provide some indication for people in different parts of the state, different types of projects, where we can send out conservation suggestions to developers that would fit with the Energy Commission's guidelines in terms of what is the cost, what is the payback period, what kind of conservation performances are we going to expect. So that is very much underway and we are, of course, happy to share that data with the other state lending institutions.

MS. PARKER: Mr. Chairman, I wanted just to follow-up too. Toni, both Julie and I sit as advisory, non-voting members on CDLAC and TCAC. I think what we have tried to do is we want to be mindful of doing our underwriting from a risk standpoint, but also be in a situation where since there could be as many as four state agencies involved in a deal, that we are not having requirements that, essentially, are conflicting to one another, but in that sense, mirror or build upon if we need to.

So I think we have -- Having the opportunity of sitting on those different committees and, you know, the discussion, obviously. The benefit of having membership, the Board has tried to look at this issue so that at least to our developer community we, the state, don't look like our right hand and left hand aren't talking to one another.

MS. BORNSTEIN: Mr. Chairman.

CHAIRMAN WALLACE: Okay. Julie.

MS. BORNSTEIN: Just one last comment on the CARE program. It is my understanding from information that Housing California has shared with us, that the PUC has an open comment period that terminates this Friday where they have asked for public comment as to whether individuals who are some other type of assistance program should then have automatic eligibility for the CARE program.

I think Housing California will be preparing a comment that is particularly applicable to CHFA as well as to our programs and TCAC and CDLAC. So if there is a tenant in one of the projects that is supported by our financing, they could conceivably have automatic eligibility for the CARE program and it would make it a lot easier to make sure those benefits get to our tenants. So we are tracking the comment that Housing California is making to make sure that that covers that issue.

MR. WARREN: (Nodded).

CHAIRMAN WALLACE: Let's move to the projects. Good analysis, but I am hungering for a project. Ready, Linn?

RESOLUTION 01-20

MR. WARREN: Yes, Mr. Chairman. The first project that we have for your consideration today is the Roberts Avenue Senior Apartments. Roberts is located in San Jose. The request is for a lender loan in the amount of $9.9 million, interest rate 5.0, tax-exempt interest only, 2 year term, tax-exempt; and a subsequent first mortgage of $5.6 million, interest rate 5.7, 30 year term, tax-exempt. And with that, I'll ask Jim Liska to show us some pictures.

MR. LISKA: The subject is located on Roberts Avenue. It's across from Kelley Park, which is a public park which contains a Japanese Tea Garden as well as a community center. Surrounding the site is established, single-family residential. What is interesting about this site is that it's -- The front portion here is our site and the second parcel back here, which is also vacant, is going to be established with teachers housing.

Our subject site is one building, three story, elevator, ~~comprising~~ one and two bedrooms. The back portion, which is going to be developed by a separate developer, Mark Hazarini (phonetic) and the nonprofit is Community Home Builders and Associates. This will also be a three story walk-up and it will be one and two bedrooms and it will serve 50 percent, 60 percent and 80 percent of area median income. At the 50 percent income level right now the rent is projected at $795, at the 60 percent it is projected at $935, and then at the 80 percent the teachers are projected at $1,250.

Diagonally across the street is a public high school. Again, surrounding the site is established single family detached residential. Shopping, schools, medical are all within the immediate area. The major access is Story Road, which leads to Interstate 101 or Freeway 101. Here is another view of the teachers parcel across Lucretia Avenue.

Income levels for the subject. We have one bedrooms at 30 percent rents, 45 percent rents and 50 percent rents as well as 60 percent. As you can see we are still in a very good market in the San Jose area. Vacancy levels are low, in some cases less than **3** percent, and there's quite a gap between our indicated rents versus the market.

MR. WARREN: Thank you, Jim. The occupancy restrictions for Roberts: The **CHFA 20** percent at 50, **TCAC** will be restricting 100 percent of the units to 50 percent of median income, and the City of San Jose will have 15 percent of the units at **30**. There is also a **CDLAC** restriction of units which is not reflected but is shown on the underwriting write-up.

The borrower is **BRIDGE** Housing; **BRIDGE** will also be the management agent. **As** is typical of these types of loans, we have a fair amount of locality involvement. We have a city grant of $1.5 million and a residual receipts city loan of $6.1 million; an **AHP** loan of **$300,000** and tax credit equity at **$4,268,000**. So with that we think this is, obviously, a very good project with a good sponsor in a much needed area and we would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: ***Any*** questions from the Board? Lydia, this is yours. **Is** there anything you need to add?

MS. TAN **(IN AUDIENCE)**: (Nodded, no).

CHAIRMAN WALLACE: You're ahead. You'll say nothing.

MR. HOBBS: Mr. Chairman, **I** have just one quick question.

CHAIRMAN WALLACE: Mr. Hobbs.

MR. HOBBS: Since the city is so actively involved, where are we with their approvals on the loan and the grant?

MR. WARREN: I'm sorry. Where are the approvals?

MR. HOBBS: On the loan and the grant.

MR. LISKA: The DDA and final loan approval is expected some time in early August.

MR. HOBBS: Thank you.

CHAIRMAN WALLACE: Any other questions? *Any* from the audience? Hearing none, seeing none, a motion to approve, Mr. Hobbs.

MR. HOBBS: I'll move approval, Mr. Chairman.

MR. KLEIN: (Raised hand).

CHAIRMAN WALLACE: And a second by Mr. Klein. I'm going to give my usual BRIDGE caveat. I am a long-time member of the BRIDGE Board. We do not think there is any conflict. Having said that, I will only vote if I have to. So, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Abstain.

MS. **OJIMA**: Resolution 01-20 has been approved.

CHAIRMAN WALLACE: Resolution 01-20 has been approved. Let's go on to the next project.

RESOLUTION 01-21

MR. WARREN: Our next project, Mr. Chairman, is Murphy Ranch Apartments. This is a 62-unit family project which is part of an overall phase with an adjoining 38 units. There is a loan to lender request of $8,475,000 at 3 percent simple interest for two years, taxable financing and a permanent first mortgage of $4,355,000, 5.7 percent interest rate, 30 year fully amortizing tax-exempt. And with that, Jim.

MR. LISKA: Here is a view of the subject in Morgan Hill. It is located off of East Dunne Avenue, which is a major arterial that connects with, again, **Highway 101**. The cross street here is Butterfield Road, I believe. Our subject is located on this first portion with the second portion to be developed later on. Right across from the street is a low-income housing project, Terracina, which was developed by a different developer back in 1989. It is 148 units and rented up very quickly, within less than two months. Here is another view. As you can see, back in the foreground here is new single family residential housing. Right in back, further on, off the freeway is a major shopping center. This project is close to all major facilities.

Our rent levels for the two, three and four bedrooms that are going to be developed: We are looking at 35 percent rent levels, 50 percent rent levels and 60 percent. Again we are looking at a good market which is an expansion of the Santa Clara market, the Silicon Valley, which is still in pretty good shape considering the downturn in the economy for technology. Vacancy levels are still small. We have pretty good gaps between our market rents and the various income levels. With that.

MR. WARREN: I neglected to also indicate that the Loan request also includes a bridge loan of $4,120,000 for three years, tax-exempt. The occupancy restrictions are fairly straightforward and reflect subordinate financing. We have restrictions being set forth for the MHP program, CHFA, the Morgan Hill RDA and TCAC. Accordingly, the subordinate Financing is fairly extensive. We have the City of Morgan Hill for $2.5 million, HCD's MHP program for $3.28 million, then lesser amounts of AHP, the CHFA School Fee Reimbursement Program and the county trust. So we have a loan to cost of 28 percent, a loan to value of 33 percent, which is a fairly low level.

The sponsor is First Community Housing. We have not done a project with them, I think for some time, but they are well-known to us in the San Jose area and have developed a number of other projects. The project will be managed by the John Stewart Company out of the Bay Area, who we have a great deal of familiarity with and have approved them on numerous projects. So with that, as Jim indicated, there are still a lot of housing pressures in the greater Santa Clara area to which Morgan Hill is subject to. We would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: Yes. Jeanne.

MS. PETERSON: I just have a brief question. I may have misread the staff report but I thought that the Morgan Hill RDA was restricting the occupancy so that none of the units would be rented at anything more than 50 percent of area median. Is that incorrect? And if so, could you tell me why on page 863 it says 100 percent of the units will be restricted to 50 percent or less of AMI but you are showing a number of units at 60 percent. I was a little confused about that.

MR. WARREN: Ms. Peterson, it is 60 percent, that's a typo. The RDA will restrict it to 60 percent, not 50.

MS. PETERSON: Thank you.

CHAIRMAN WALLACE: Boy, that's a sharp eye, Jeanne. But you have more.

MS. PETERSON: No, that's all.

CHAIRMAN WALLACE: Why don't you comb this for me too next time. Toni.

MS. PETERSON: That's pretty significant, if you're going to do 100 percent at 50.

CHAIRMAN WALLACE: Yes, you bet.

MS. SYMONDS: This is a more general question. I have noticed that some of the projects have pools, some don't. Is there a general policy or is it if in the financing a pool works out it works out? This has multiple types of financing.

MR. WARREN: I'm sorry, I didn't understand your question.

MS. SYMONDS: I wondered if there was -- In this one there is a proposal to put in a pool. Not all of your projects have pools. There is a lot of public financing so, obviously, someone is allowing it, someone is not. I am not against pools but I'm just wondering what the general policy is.

MR. WARREN: We generally don't have a policy against it. For projects that are built in the Central

Valley, for example, we actively encourage sponsors to look at pools as a recreation on family projects. Even for senior projects. In the more urban areas--and I think Morgan Hill isn't quite there yet but it's getting there--it's a tradeoff between community centers, community rooms and pools. So it really does depend upon the density of the projects.

Quite frankly, for a large family project we love to see them if it is an effective use of the land and such like that. But we would not want to mandate a pool at the expense of a computer learning center, for example, so we kind of take it as it comes. But like I said, in the Central Valley we have found that to be a very nice thing for low income tenants that may not otherwise have access to that kind of facility.

CHAIRMAN WALLACE: Okay. Julie.

MS. BORNSTEIN: Linn, I see there's financing here from the Santa Clara County Trust. Do you have the terms on that? This is, I think, the first time I have seen the trust involved in a project.

MR. WARREN: No, I don't have that handy, Julie, give me a moment. It's being determined now, Julie. I believe it's essentially a grant. That is my understanding of what the trust is.

MS. BORNSTEIN: That was my understanding when the trust was originally set up, that these would generally be grant funds.

MR. WARREN: That is my understanding too.

MS. BORNSTEIN: Okay, good.

MR. WARREN: I'm sorry we did not reflect it in the materials but it is my understanding it is a grant.

MS. PETERSON: It says it's a grant on page --

MS. BORNSTEIN: Well, but then it's also listed as Other Loans someplace else.

MS. PETERSON: Yes.

MS. BORNSTEIN: So I just wanted to make sure.

MR. WARREN: It's, essentially, a Source.

MS. BORNSTEIN: Okay, thanks.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I believe there's plenty of demand in this geographic area and we have a very substantial rent differential from market to give us a cushion against vacancies. It had been my understanding that vacancies at the market level in this particular area may be significantly greater in the last 90 days than they have been before, maybe in the range of 7 or 8 percent. Is that correct? And I'm not -- I'm supportive of the project. As I say, I think we have plenty of demand at the affordability level we are delivering at but I'm trying to get a handle on the macro issues of the market here.

MR. WARREN: I think that the sense -- and Jim can jump in. But I think my sense is that if you look at the type of product there in San Jose, you have the luxury level and then you go down to the various levels. Obviously, at the top end, the 1,500 to 2,000 square foot luxury-type, yes, you are seeing vacancies. And I would not say it is dropping like a stone but you are seeing a lot of softening of that. And you are also seeing a lot more homes for sale, quite frankly, in Santa Clara.

So yes, I think the readjustment that we have all talked about for San Jose is here but it is going to take an awfully long time before it gets down to even moderate income levels. Because I think base employment figures are actually still pretty good in Santa Clara. Even though some of the peripheral dot-coms are laying off, there is still a fair amount of employment going on. Where we go with the large employers like CISCO and IBM, that remains to be seen. But for right now, with this level, I think demographics support it pretty well. But yes, 8 percent is probably about right.

CHAIRMAN WALLACE: Jim had said these were good rent differentials. These are phenomenal.

MR. KLEIN: Yes, they're excellent.

CHAIRMAN WALLACE: They are huge rent differentials.

MR. LISKA: They are very good, in consideration that, again, you are looking at a large unit project composition, two, three and four bedrooms, versus that rent differential in Morgan Hill. And your comment is right, Bob, Mr. Klein, that vacancy levels for conventional stuff may be a little bit higher. But also in comparison and the City of San Jose and Santa Clara in general, it is very competitive.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I notice that we have good access to elementary, middle and high schools. Do we get any kind of a letter from the schools related to their capacity or ability to serve? What type of -- This is a small project.

MR. WARREN: Yes.

MR. KLEIN: So I don't think it is really an issue here. But if we have larger projects, 200 units, 250 units, do we get a letter that addresses school capacity?

MR. WARREN: No, we really don't. I think the way we look at that is that since we are really at the end of the process, if you will, the zoning land use questions like that, theoretically, have been dealt with, literally years before we even see the projects. So the short answer is no, we don't ask for that. We evaluate schools from the standpoint of, is this a good project for availability from the school standpoint, but we don't check capacity. And if we did I think it would be, given the level that we are dealing with, it would be a tough reason to turn one down or to criticize a project.

MR. LISKA: Indirectly, as part of our concept meeting, we do invite a local public official. Sometimes they show up, sometimes they don't. We do look at the general plan usage, any conditions. We try and cross-reference check with the understanding from our borrower. We also cross-reference when we get a market study or an appraisal to find out if they have uncovered anything else as far as what is happening in that community. So looking at a facade of different sources, yes, we don't, per se, check the capacity of a school but we try and look at what is happening. Again, we are constantly out, as everybody else is, for what is happening in the local media and what public issues are being brought forth in that community.

CHAIRMAN WALLACE: My old department, Department of Real Estate, checks that early on as part of their public -- They get *will* ***serve*** letters from all the utilities, the fire districts, the schools, about those sorts of things. So staff is right, early on there are others looking, in addition to planning commissions and planning staffs and so on.

MS. PARKER: Mr. Chairman. Linn, did you mention hat there were school fees in this?

MR. WARREN: They are seeking a reimbursement.

MS. PARKER: Mr. Klein, there is mitigation, from the development standpoint, of school fees. Those are fees, essentially, to the school district to recognize, and in that sense, to provide some compensation for what may or may not be increased utilization based on students. So I think that is the traditional route for developers from that standpoint, to provide some assessment to the schools for mitigation. And in that sense we are using this program--that frankly we won't have any longer because of the need to assist the general fund--but we are able to use it in this particular project to reimburse and provide some additional incentive to the developer for affordability.

CHAIRMAN WALLACE: The Chair is ready, willing and able to accept a motion to approve.

MS. BORNSTEIN: Move approval.

CHAIRMAN WALLACE: Julie.

MS. HAWKINS: I'll second it.

CHAIRMAN WALLACE: And Carrie. *Any* discussion on the motion from the Board or the audience? Hearing none, seeing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-21 has been approved.

CHAIRMAN WALLACE: Resolution on the Murphy Ranch, 01-21, is hereby approved. Let's move on. To handle the El Encanto Apartments, Vice Chair Carrie Hawkins will oversee that.

MS. HAWKINS: Thank you, Mr. Chairman.

(Chairman Wallace exited the meeting room.)

RESOLUTION 01-22

MR. WARREN: The El Encanto Apartments are located in Goleta in Santa Barbara County, just north of downtown Santa Barbara. This is a fairly small project, 16 units of family. As you can appreciate, building any sort of housing in the greater Santa Barbara area is difficult. The sponsor's director is not here today as the city council is meeting today to approve the project. It has been a long period of time coming for this particular part of Santa Barbara.

The request is for a first mortgage amount of $905,000 at an interest rate of 5.85 percent with a 35-year term, tax-exempt, and then a bridge loan amount of $785,000, 5.85 percent, one year, also tax-exempt. The county of Santa Barbara is contributing in excess of $700,000 for a 55-year term loan and it has received an MHP/HCD grant in the amount of $376,000. So with that I'll ask Jim to look at the property.

MS. HAWKINS: Thank you, Mr. Chairman.

MR. LISKA: It's a new construction property project, 16 units. It's a two story walk-up. This seems to be for a larger composition of units, this will be two and three bedrooms. Again vacant land. Here is a street scene of the subject. Right down at the corner you have a little 7-11, some strip shopping. Vacancy in the area is again pretty good, less than three percent. We have 35 percent and 60 percent income levels. As you can see the differential with the market, there's a pretty good gap.

MR. WARREN: The borrower is Community Housing Zorporation, a 501(c)(3), Related Capital is the prospective equity investor. CHC also manages their properties. They have a number of units that they have managed in the area and they have developed a number of projects. This is the first time we have done business with them but they are established in the Santa Barbara area. So with that, again, it is needed in Santa Barbara and we would like to recommend approval.

MS. HAWKINS: Are there any questions from the Board? Yes, Ms. Peterson.

MS. PETERSON: I have two questions. The first one is: Will the CHFA restrictive covenant reflect the MHP restrictions, which as we all know, are based on statewide median income and not area median income?

MR. WARREN: Our regulatory agreement will not reflect the MHP regulation. There will be a separate regulatory agreement with the MHP program.

MS. PETERSON: And will the MHP one be subordinate to the CHFA, one assumes, the regulatory agreement?

MR. WARREN: Yes.

MS. PETERSON: And the second question I have, and this is something that I don't know why I don't understand but I just don't, and that is: Why is the loan for this one set at 5.85 percent? That seems to be an unusual figure when, for example, all the rest of the ones that we are seeing today are set at 5.7 percent. And I suspect that I know the answer but I think it would be worthwhile to talk about.

MR. WARREN: We price our loans differently depending upon terms, so for every five-year increase in loan term we add 15 basis points to the rate. So if our 30-year term is 5.7 percent, our 35-year term is 5.85 percent.

MS. HAWKINS: Thank you. Any other comments or questions? Hearing none and seeing --

MR. HOBBS: Madam Chair, if I may.

MS. HAWKINS: Yes.

MR. HOBBS: I've been holding this, just in the interest of time. I'm concerned with this and the Morgan Hill project, and I'm aware of the years of restrictive building development covenants and moratoriums, etcetera. And I have noted, and rightfully so, we seem to, particularly in this agenda, we seem to have necessary housing, low-mod housing, in some of those markets. From a staff standpoint are we looking behind at the measure, Measure P for example in Morgan Hill, are we looking behind the moratorium issues to ensure that from an underwriting standpoint our investment is sound? Ten years from now we are not going to end up with real estate that, for whatever the reason, the various local measures have decided is worthless.

MR. WARREN: As far as --

MR. HOBBS: And it's not a fair question to ask in a public arena, particularly given my background, but I just need to know that staff -- I know that staff is more than competent in the area. I just want to know that we are looking at it as well.

MR. WARREN: It's not a fair question to ask a banker, Mr. Hobbs.

MR. HOBBS: Yes, that's correct.

MR. WARREN: That's all right. We look at moratoriums from the standpoint, purely from a market rate standpoint. What is the building environment going to be 5, 10, 15 years from now? And in my experience I have yet to come up with something terribly definitive in affordable housing because the demand, so far, outstrips the supply. Anecdotally, when I was a commercial lender in the private sector I would read moratorium documents front to back, quite frankly, and I would spend a great deal of time because that significantly impacts market rate/luxury apartments on what could have been a short-term/temp basis. So the short answer to your question is, for what we do here I don't think it has that same impact. In the hat I wore in the private sector it was an issue, quite frankly. We do look at it, but it does not come to play in our decision-making.

MR. HOBBS: Clearly, the housing is needed and I don't intend that my comments are non-supportive. They are extremely supportive of low-mod housing in these particular markets.

MS. HAWKINS: Thank you, Mr. Warren. Any other comments or questions? If not, I would like to call for a notion.

MR. HOBBS: Madam Chair, I'll move approval.

MS. NEAL: Second.

(Chairman Wallace re-entered
the meeting room.)

MS. HAWKINS: It has been moved and seconded. Any discussion? Any discussion from the public? Hearing none, let's call the roll.

MS. OJIMA: Thank you, Vice Chair. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Thank you. Resolution 01-22 has been approved.

MS. HAWKINS: Thank you. And I turn the chair back to Mr. Wallace.

CHAIRMAN WALLACE: I accept. Parwood Apartments.

RESOLUTION 01-23

MR. WARREN: Thank you, Mr. Chairman.

CHAIRMAN WALLACE: A big one.

MR. WARREN: Yes. Yes, it is. Parwood Apartments is a 528 unit preservation project in the City of Long Beach. Let me give you, just by way of background, how the project came to us. This is the third in a series of projects that we have undertaken with Related Companies and their respective nonprofits under the preservation program. It is fairly good size at $31.7 million. It is, I think by my estimate, the second-largest loan we have made, perhaps the third. It might be the third-largest, the largest being the $70 million project we did with Related in San Jose.

What Related is doing, clearly, is acquiring projects of sufficient size and mass to really impact the preservation problem in California. Because of their expertise and their financial strength, they are one of the few players in the state, in our opinion, that are actually able to deal with the complexities of preserving large, in this case, very large projects. The processes that we go through in evaluating these projects, which we learned at El Rancho and replicated in the three San Diego deals, we have applied here. This project is a little bit different regarding the number of tenants who are over income, which I will talk about in just a minute.

One additional component of this is that we will probably submit this for FHA risk-share. Some of the Board may recall this was the primary method of loan insurance that the Agency had up until about two years ago, in which we had a bit of a falling out, if you will, with HUD over the environmental issues. We think it is appropriate, given the number of loans that the Agency is making, to revisit FHA risk-share, in particular for projects that we are doing for preservation. We think that the guidelines that prevented us from doing risk-share in the past can be far more streamlined for Section 8, our existing Section 8 transactions.

In this particular project, the rehab budgets, the evaluation of the markets, are all pretty straightforward. We have done this with Related before and we are certainly very comfortable with their approach to dealing with this. But one issue does exist and that has to do with relocation. Let me spend a few minutes talking about that.

This particular Title II project has a number of tenants that are over income. Essentially, 280 of the units are over income, in excess of 60 percent of median income. This is a function of how the project was run and refinanced or financed back in the early 1990s under the Title II program, which gives us a situation where a number of the units, the tenants, to qualify for the tax credits, the request is that they be relocated.

So what Related has done is entered into a contract with an experienced relocation consultant to offer financial incentives to the tenants to basically relocate in the general area. The relocation, the hope is to accomplish this relocation in three waves so as not to glut the market in the greater Long Beach area. Interestingly, the same outfit that is doing the relocation for the Long Beach properties has also done the relocation for the San Jose property. A much tighter market,' much more difficult to relocate, and by all estimates they have been very successful in relocating the over income tenants that existed on the El Rancho project.

One of the main thrusts of the relocation is not so much equivalent rental but home ownership. They achieved a 40 percent success rate at the El Rancho project of introducing the over income tenants into home ownership in the greater San Jose area. Long Beach, Paramount and the other areas are much more amenable to home ownership and by last account there's approximately 1,000 MLS listings in the Long Beach area and there's obviously more in the surrounding counties. So the consultants that Related have entered into the contract with, will stress home ownership and certainly stress like kind relocation housing.

The City of Long Beach, in their relocation plans for their projects, are budgeting approximately $3,000 per unit as a cost to relocate tenants or provide financial incentives. The budget in this particular project, for

Parwood, is set at $5,300 a unit. So Related is putting the money up in part of their budget with an overall budget of almost $1.7 million for the relocation. The expectation is that the relocation will be completed in six months to a year. Obviously, it is no one's desire to evict anybody, and as a matter of fact, if the tenant refuses to leave then the tenant, clearly, has the ability to stay on the project.

So with that, the request is fairly straightforward. It is a loan similar to what we have done in the past, provide money for acquisition, and we would certainly monitor the construction process.

One thing I do want to comment on before we look at the pictures, and that has to do with the debt coverage ratios on this property. You will note that the DCR for this property is a 1.10. What is not counted in the debt coverage ratio is approximately $400,000 of Section 8 income which is not in our underwriting. We talked about lending against that, we elected not to. But what the net effect of that is, that the borrowers will be seeking renewals of the Section 8 contracts. This money is available. And if you factor in the extra Section 8 money which is available, over the underwriting rents that we have pegged, you have a debt coverage ratio of approximately 130 percent.

We think this is a fair bet. This is a fairly high sales price. Related, I think, did a very good job to secure this with the sales price. It could have gone to somebody else and, quite frankly, the affordability would be somewhat less. So with that I'll let Jim show a few pictures and then we can go on with the rest.

MR. LISKA: As indicated, this is our first for this Board Meeting, acquisition/rehabilitation. It's a large project, built in two phases. A total of 32 buildings, walk-ups, one, two, three and four bedrooms. You can see how expansive it is. This is a picture of the interior. Right off to your left here is a children's day care center. It is not included in our mortgage; it is part of our security. It has a capacity of holding 90 students, ages two through five, and it serves the immediate project as well as the neighborhood.

Here is another typical exterior. A picture of the back, where we have some carport parking. Tied to the carport parking -- there's also some subterranean parking underneath 16 of the buildings. There is some seismic retrofitting that has to take place here on these buildings at an estimated cost of from $20,000 to $50,000, which the developer is in the process of analyzing to do. Here, some of the typical existing playgrounds, tot lots, which will be upgraded by the borrower. Here is an indication of some of the laundry rooms. Again, they are part of the -- There are 6 throughout the project and these will be upgraded and meet safety codes.

A view of a typical kitchen. As you can see, even though this project was built 1968/1970, built by HUD, the interiors are in fairly good condition. The thrust of our rehabilitation is going to be more on the exterior, and as indicated in our rehabilitation on page 900, we are looking at new roofs, some of the waste plumbing lines, construction of tot lots, reconstruction and remodeling of the existing recreation administration building. Common area accessibility requirements, painting the exterior, working on the patios, the wood trim, etcetera. Landscaping.

Again, we will be looking at unit interiors on a case-by-case basis on what is needed. As far as the Surrounding area: It's a well-established area and we have all amenities in place close by, very accessible to the project and the surrounding residents in the neighborhood.

As you can see, 100 percent of the project will be at the 50 and 60 percent levels versus the Section 8. The Section 8 is based upon annual renewals. No long-term contract, as indicated by Linn. And we still have a pretty good gap between what we find in the open market.

MR. WARREN: In conjunction with Related, who will also be the property manager and will be handling the construction, the nonprofit for this particular property is the Las Palmas Foundation. They are fairly new but they are in one of the Related properties in San Diego. They are a very aggressive nonprofit and are doing very good things with the properties that they have in Southern California. We think that given their very proactive stance on dealing with services, which is something we will be monitoring clearly with the sponsors, that we think they are an appropriate nonprofit.

So with that we are taking a very long view of this. I think with the demographic pressures that are hitting the L.A. area in particular, this is a very good project. As Jim indicated, it is in very good shape. Of all the projects in the last two years that Related has brought to us, it is our opinion this is the one that is in the best condition of all of them and it is a very nice project. So with that we would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: Okay, questions? Seeing none, except Mr. Klein.

MR. KLEIN: What are the expected terms on this loan from the Long Beach Housing Commission?

MR. WARREN: Residual receipts, 30 year term.

MR. KLEIN: Okay.

MR. WARREN: Perhaps longer.

MR. KLEIN: I would just like to say that certainly for a project of this size it gives us a lot of comfort to see a company with this kind of a track record and financial strength. I also think that this may be an area of opportunity for the Agency to take on some of these larger projects that other lenders are not accepting the challenge on. With strong sponsors like this I think we can do a good job on it.

CHAIRMAN WALLACE: Other questions from the Board? The audience? The developer? Board?

MS. HAWKINS: I'd just like to comment. I think that based on the model that Related brought before us before, this certainly doesn't sound like it's nearly as complex. But I am curious about that child care center. How does that figure in, who owns it and how is that going to operate? Is it going to continue there in the same location?

MR. WARREN: Okay. I don't know. Ken, do you want to comment briefly on that?

CHAIRMAN WALLACE: Give us your name, rank and serial number.

MR. REINER: Ken Reiner, I'm a director of acquisition, finance related. The child care facility, we own it. We did not include it in the underwriting so the income from it is not included. It is on a medium term lease. Our intent is to refurbish the exterior. We are going to add a tot lot and some outdoor amenities for the children. What was the other?

MS. HAWKINS: Basically, it is going to continue in operation there.

MR. REINER: Yes, yes.

MS. HAWKINS: So it will be an added asset, actually, to this development.

MR. REINER: Correct.

CHAIRMAN WALLACE: As long as you're there, give us your slant on the relocation issue and how you have analyzed that How big a problem and so on.

MR. REINER: Sure. We just went through this, we just finished San Jose, and really, that was our case study. In San Jose we had, I think, about 190 over income residents in a market that has frictional, at best, vacancy. And there was a huge disparity between tenant-paid portions of the rent currently and what they would be facing on the open market.

We went in -- HUD has a policy of no involuntarily relocation so the best we could do was offer early termination incentive agreements, which essentially is, give them money to leave. And we did exactly what Linn said, we opened up first-time home buyer. We used our relocation people to ferret out available apartments, so we created a supply, and then we negotiated through a housing counselor with all of the residents and they all settled with us in a different way.

At the end of the day, as Linn said, we had 40 percent new homeowners. We bought a lot of mobile homes. A lot of neat stuff. A lot of family reconfiguring goes on. These 236 jobs are 30 years old and what we found is that a tremendous amount of residents had been there for a very long time, they have aged in place. Families moved in to three and four bedroom units and children moved out. Or children were there and the parents weren't there or the incomes were high. We face all kinds of issues and we just go in and deal with them on a case-by-case basis. In Long Beach we have the luxury of supply so we are very confident that we can accomplish our goals at $1.7 million of relocation.

CHAIRMAN WALLACE: $5300 per unit or thereabouts is a pretty good number.

MR. REINER: Yes. There's 280 or so. We think the number will be down around 220 by the time we acquire. Our deal with the current owner is that any new residents they enter into leases with during the escrow period, which we close in December, have to be at 60 percent or below of area nedian income.

So what we are doing is the rollover, which primarily occurs in the non-Section 8 units, as those units sre naturally -- the natural attrition between now and December, we are replacing them with voucher residents, which allows the owner to collect the payment standard so he is not negatively impacted by trying to, say, get a higher rent for a 50 percent renter. So they will collect the voucher standards. Then those residents will qualify for us post-acquisition.

CHAIRMAN WALLACE: You're pretty confident this is all going to work out here like it did in San Jose.

MR. REINER: Compared to San Jose this is a walk in the park.

MS. NEAL: Yes, it is.

MR. REINER: San Jose was --

CHAIRMAN WALLACE: A supply problem.

MR. REINER: And once again, the differential. The relocation benefit calculation is based on the difference between what the tenants are currently paying in rent where they are at and the rent that they would be facing on the open market. In San Jose that was a very large number. In Long Beach it is a very small number so the incentives that we offer to the residents for the most part go into their pocket, where in San Jose the residents had to consider slternative costs.

CHAIRMAN WALLACE: Interesting. Thank you.

MR. WARREN: As Ken indicated, I think it is important to note that on all of the 236s throughout the state there is this issue. It's not just the projects that Related has come across but other affordable housing preservation folks are dealing with this on a daily basis.

And it is an issue with HUD and it is an issue we have to deal with. And to date the solution has been exactly what Related and others have done, which is a very labor-intensive process to deal with the tenants and find alternative housing. It is expensive. But to avoid the displacement, this is the process.

MR. REINER: And in places like Long Beach where they are not promoting new construction, or not promoting as much new construction as maybe demand dictates, this is really one of the only ways to increase the stock for 50 and 60 percent renters. To clean up some of the older projects that have just aged beyond the regulatory agreements.

CHAIRMAN WALLACE: Are you having any fun?

MR. REINER: When Bill let's me.

CHAIRMAN WALLACE: Thanks very much.

MR. WARREN: Thanks, Ken.

CHAIRMAN WALLACE: *Any* further questions? Pat.

MS. NEAL: Yes. Mr. Chairman, I know this area and the complex. It's an outstanding area and that is a good complex. But that area is extremely good. So this is a narvelous project. And there's a lot of them like that all over Long Beach.

CHAIRMAN WALLACE: Well, you're probably ready to make a motion of approval, then.

MS. NEAL: Absolutely.

CHAIRMAN WALLACE: I want you to get credit and full credit.

MS. HAWKINS: I will second it.

CHAIRMAN WALLACE: And Carrie makes the second. Any discussion from the Board on the motion itself or from the audience? Hearing, seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-23 has been approved.

CHAIRMAN WALLACE: Resolution 01-23 hereby approved. Good sounding project. Creative. Good job, staff and development team. Let's go on to Redwood Oaks.

RESOLUTION 01-24

MR. WARREN: Thank you, Mr. Chairman. Redwood Oaks is a 36-unit family project, acquisition/rehabilitation preservation in Redwood City. We have a first mortgage loan request amount of $1,605,000, 5.7 percent, 30-year, fully amortized, and a bridge loan of $1,045,000, 5.7 percent, one year, tax-exempt. We have HOME funds from the County of San Mateo in the amount of $250,000, Redwood City HOME funds of $153,000, MHP in excess of $1 million, equity, and some contributions in addition to 4 percent tax credits of $1.3 million. This is not too dissimilar to the El Encanto project. As those of you who know, in Redwood City it is a very tight market. I'll let Jim show the pictures of the project.

(Ms. Hawkins exited the meeting room.)

MR. LISKA: This is a picture of Redwood Oaks located off of Redwood Avenue. It's a two story walk-up with tuck-under parking. We have one and two bedrooms. It was built in 1962. It's in a well-established neighborhood of older single family detached homes. The subject is over here off to the right. Here is a picture of the pool at the rear of the project. Again, it is one and two bedrooms.

Vacancy, very tight market on the peninsula. Here in Redwood City it is less than one percent. As you can see, we are at 20 percent income level, rent levels 35 percent, 50 and 60, Section 8 and market. So we have a pretty good spread again.

MR. WARREN: The lower income rents for the project are targeted toward a number of special needs residents that are there, which is an outreach program that HIP is doing. HIP is the project sponsor. We are familiar with them. We did a project with them a couple of years ago, also on the peninsula. They have been around since 1972 and they manage reasonably small projects but they also run very good service programs and they also manage the properties that they have. So with that, again, as Jim indicated, this is a small refinancing acquisition preservation in one of the tighter markets in the state and we would like to recommend approval.

CHAIRMAN WALLACE: Okay. Any questions? Discussion? Motion?

MS. BORNSTEIN: I'll move approval.

MR. KLEIN: Second.

CHAIRMAN WALLACE: Moved by Bornstein, second by Klein. Any questions on the motion itself? Board? Audience? Hearing, seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

(No response).

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-24 has been approved.

MS. PETERSON: Mr. Chairman, before we leave that.

CHAIRMAN WALLACE: Resolution 01-24 has been approved officially. Jeanne.

MS. PETERSON: I just have a comment to make after the fact that would not have changed my vote, but the occupancy restrictions, again on this deal, do not correspond. Because those are the things I look at pretty carefully I am wondering if *you* might want to make a correction to those Board Reports.

MR. WARREN: All right.

CHAIRMAN WALLACE: And I was just going to say that's the fastest approval this Board has granted in six years. It still is, even with Jeanne's --

MR. WARREN: You are referring to the 20 percent number, I think, Jeanne?

MS. PETERSON: Yes, it doesn't mention any at 35, for example. I am not sure if the MHP really is restricting to 20 percent, because that is generally the 35 statewide median income restriction.

MR. WARREN: I think we'll look at that. I think what is happening is we are getting so many of these that it is defeating our template. But we will remedy that.

CHAIRMAN WALLACE: I'm going to withdraw that last approval pending Carrie coming back and giving her vote. Keep it open until she comes back. So remind me, JoJo, and we will finalize that when she returns.

MS. OJIMA: Yes, sir.

CHAIRMAN WALLACE: Moving on.

RESOLUTION 01-25

MR. WARREN: The next project for your consideration is Los Gatos Creek Apartments. We have a modified credit package write-up that you should all have. The changes in the credit package are in bold italics but they are fairly minimal.

Los Gatos Creek is a request for a final commitment using 501(c)(3) bonds in the amount of $695,000, 5.7 percent interest rate, 30-year fixed, fully amortizing. The change that we have is, the loan amount has been modified slightly in that the income restrictions have been increased, resulting in a lower loan amount. We now have the town of Los Gatos, which is contributing $233,000, 3 percent, 30-year term. They have increased the affordability restrictions which, again, reduced our debt.

This project is new construction but it is completed; it is an in-fill area in Los Altos (sic). So with that, Jim, why don't you show --

CHAIRMAN WALLACE: Lo Gatos.

(Tape 1 was changed to tape 2.)

MR. WARREN: What I meant to say, Mr. Chairman, was Los Gatos.

CHAIRMAN WALLACE: Yes. (Laughter). That's the cat's meow, you know.

MR. WARREN: Yes. As I claw my way back in.

CHAIRMAN WALLACE: Keep going. Jim.

MR. LISKA: Looking at this -- This is the entrance to the subject off of Miles Avenue. You almost have to visit the site to appreciate, even though it's in a tough location. Right adjacent to it on one side is a PG&E substation. On the other side is the view of the city corporate yard. But again, almost within one-quarter mile is the city park. Right behind the subject is an improved channel with a walking/bike trail. Amazingly, this site is only a seven minute walk to downtown Los Gatos. So, I mean, this is the high point of it.

Here is a picture of one of the two buildings. The rent levels, we are at 50 and 60 percent of rent. You can see we are at $738, $891, versus the market of $1,251. They are all studios. Even the market rent of $1,251 I think is being a little bit conservative. There's a lot of pressure on trying to find studio/one bedroom-type of housing in this area. It's only a small number of units and it immediately rented up, almost pre-leasing, when it was completed. There's a waiting list. So with that, Linn.

MR. WARREN: Yes. The location of the project next to a PG&E substation is not an attempt to solve the energy issues. We now have 100 percent of the units that are restricted to --

CHAIRMAN WALLACE: You want to repeat that? We've got some very --

MR. WARREN: I would rather not place any more of that on the record, Mr. Chairman.

MR. HOBBS: Pretty smooth, pretty smooth.

(Ms. Hawkins re-entered the meeting room.)

MR. WARREN: Thank you. One hundred percent of the units are restricted to 50 percent of median income, Ms. Peterson. The non-profit is Community Developers of the San Jose area, CDLDC. They are an affiliate of a nonprofit that is involved in El Rancho and other projects that we are doing business with; they are a builder/developer. In this particular case the John Stewart Company will also be a manager. Again, another one of the small projects that we routinely do. The benefit here, clearly is, we can include these in our pooled bond issues and save the sponsor some costs otherwise going to a stand-alone bond issue. So again we think it's important, as Jim indicated, that it be leased up immediately and we would like to recommend approval.

CHAIRMAN WALLACE: Okay. Any discussion? Questions from the Board? Bob.

MR. KLEIN: How did we get into this project? This is a good project; it's certainly in a market that is very under-served with affordable housing. Just as a matter of background, the project is being completed. They did not come to us originally? What is the history?

MR. WARREN: I'm not sure what the original financing was but we know the nonprofit. They came to us when the project was completed, searching for, basically, affordable financing. I think if you look at the income levels and the size of the project, these are -- To do a tax-exempt bond deal with anybody other than us, I think, would be very tough.

MR. KLEIN: Right.

MR. WARREN: So they, basically, asked if we would do it, it's complete, and we said, yes.

MR. KLEIN: Okay.

MR. HOBBS: Mr. Chairman, the project is a wonderful project. It just happened that I just drove through Los Gatos last week. I would be delighted to move approval if you are prepared for the motion.

CHAIRMAN WALLACE: I'm prepared.

MR. KLEIN: Second.

CHAIRMAN WALLACE: Second, Mr. Klein. *Any* other questions or discussion on the motion, Board or audience? Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-25 has been approved.

CHAIRMAN WALLACE: Resolution 01-25 has been approved. Before moving on: Carrie, on the last project, 01-24, Redwood Oaks, you were out of the room when we voted. It was a nip and tuck. It's tied as we go into it and we want to know how you feel about breaking that tie.

MS. HAWKINS: I feel very happy about breaking whatever tie, I vote for the project. You do fast work when I leave the room.

CHAIRMAN WALLACE: Does that tell you something, Carrie? No. It was unanimous, Carrie.

MS. HAWKINS: All right.

CHAIRMAN WALLACE: But we wanted you to feel critically needed.

MS. HAWKINS: Right. I appreciate that.

CHAIRMAN WALLACE: So the secretary will record the vote with an aye vote for Hawkins on Redwood Oaks. Okay, so we are now on to the return of the Pickleweed, right?

RESOLUTION 01-26

MR. WARREN: Yes, Mr. Chairman.

CHAIRMAN WALLACE: Sounds familiar. Okay.

MR. WARREN: Pickleweed is a 32-unit existing family project located in Mill Valley in Marin County. This is, essentially, a refinance of the existing loan with BRIDGE Housing as the sponsor. The project is fairly straightforward. There is a lease-hold situation on this particular property and staff, in particularly legal, are working through the necessary documentation to secure our mortgage and our regulatory agreement on that. So with that I will have Jim show you the project.

MR. LISKA: As Linn indicated, it's located in Mill Valley. Here is a picture of the subject across Mill Avenue. Right across the street is Mount Tamalpais High School. Here is a picture of the rear of Pickleweed. Right in back of it is the Bothin March Preserve, which is all open space. Here is a picture of the tot lot. Right down the street at the corner of Camino Alto is a major shopping center anchored by a Safeway. Right adjacent to our subject on the left side is a senior citizen care facility. This project was built in 1989. It's four buildings, 32 units, as Linn indicated, one, two and three bedrooms.

As you can see, there are ten county Section 8 vouchers included in this rent configuration. We are looking at 50 and 80 percent rent levels with Section 8. As you can see there is a pretty good differential with the market. A very stable market, very tight market. For Mill Valley, this is a very good project in a well-established location.

MR. WARREN: As Jim indicated, there is some Section 8 on the property. We are calling for a fairly small transition reserve of $30,000 in the event the Section 8 goes away. But given the waiting list for Section 8 holders in

Marin County we doubt if that is going to be an issue. Again, as I indicated, BRIDGE Housing is the owner and operator and this is a refinance. Long-term affordability with a below-market interest rate to, basically, help the economic efficiency of the project. So with that, be happy to recommend approval.

CHAIRMAN WALLACE: Questions? Motion? Toni.

MS. SYMONDS: I have a quick question.

CHAIRMAN WALLACE: Yes.

MS. SYMONDS: Does the Board have a policy relative to housing elements? I checked the internet and I thought I saw that this particular community had a housing element that was out of compliance from 1991. Is that not --

CHAIRMAN WALLACE: Linn.

MR. WARREN: Yes. No, we do not. If there is an issue with the element we ask about that; where are they at in their affordability. But from a lending standpoint the Agency does not have a policy to deny or modify a loan based upon the compliance with the housing element. We refer those, basically, on to HCD.

MS. PARKER: Toni, let me just add to what Linn said. We do look at compliance with housing element for mother program that the Agency does have but not from the standpoint of multifamily lending.

CHAIRMAN WALLACE: Lydia, any comment?

MS. TAN (FROM THE AUDIENCE): Not about the housing element (laughter).

CHAIRMAN WALLACE: Out of compliance with the housing element. That is not your main forte but what do you know about it?

MS. TAN: Lydia Tan, BRIDGE Housing Corporation. I don't know very much about Mill Valley's housing element. What I do know is that the city had the ability -- we had a lease term come up on December 1 of last year. The city had the ability to take back the property and convert it to market rates. They, instead, re-upped their commitment to affordable housing and in my mind that was a great thing to do. As you can see, the rents over time, -- when we first opened the property the rents were about 20 percent below market, and as you can see today, it's now 50 percent below narket. We just think it is wonderful to be able to provide affordable housing in that very small, very exclusive community, and appreciate the city's support of that ?articular project.

CHAIRMAN WALLACE: Thank you. Julie.

MS. BORNSTEIN: As to the issue of housing element, of course, HCD has the statutory authority to approve housing elements and we do everything we can to encourage 100 percent compliance. But we too, do not have housing element compliance as a requirement on some of our programs because in this particular case, as in our financing program, the applicant is a private developer, whereas housing element is something that must be adopted by the local political jurisdiction, either the city or the county.

But housing crisis as critical as it is, it seems, perhaps, counterproductive to state policy to deny funding to a private developer who is willing and able to build affordable housing in a jurisdiction just because the political jurisdiction has not adopted a housing element. We would think, essentially, we would be denying affordable housing, probably in the areas where it is most critically needed.

But beyond that, this locality is within the ABAG region. That is a region that is moving along very well on adopting housing elements for this cycle. As you know, it was suspended for the period of time in the 1990s, the state mandate was suspended. This is ABAG's first chance, really, to get back into compliance. We recently gave them an award because as a council of governments they have done such a good job as to coming together with the methodology. So they are in the process and their housing element is not due under state law until the end of this calendar year.

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

MR. KLEIN: Yes. It would seem as well that in approving these projects by private sponsors who are trying to take an initiative we are helping the jurisdiction come into compliance. So we are really not in conflict with the objectives, we are in concert with the objective.

MS. BORNSTEIN: Yes, I would agree.

CHAIRMAN WALLACE: Yes, Jeanne.

MS. PETERSON: I have a question of Lydia or Linn and that is: Am I to understand that the county is going to participate with the development with its vouchers and putting up to 25 percent of the project from Section 8 vouchers into project-based? Is that what is going on here?

MS. TAN: No, no. We currently have a number of voucher holders who have come to us, found the property, and we have accepted them into the property. So there was no sgreement with the county for project-based vouchers. These sre long-standing residents who have been in the property for nany years.

CHAIRMAN WALLACE: *Any* other questions?

MR. WARREN: Just so I can clarify, Ms. Peterson. : think I mentioned Section 8. In the write-up it does say :he voucher program with the county so I should have :larified that. I would not call it tantamount to project-)ased Section *8* because they are in this **project** but it is a 'oucher program.

MS. PETERSON: Right.

MR. WARREN: Versus a --

MS. PETERSON: Well, you know, there was this new ability for --

MR. WARREN: Yes, for project-based.

MS. PETERSON: -- housing authorities to --

MR. WARREN: Yes.

MS. PETERSON: -- give up to 25 percent as project-based.

MR. WARREN: Twenty-five percent of the vouchers. But it is -- As Lydia said, it is a voucher program by definition.

CHAIRMAN WALLACE: Mr. Klein.

MR. KLEIN: Could Jeanne expand on that new ability of the housing authorities.

MS. PETERSON: (Made accordion-like motion with her hands). It's just an opportunity --

CHAIRMAN WALLACE: That's enough, Jeanne, that said it all.

MS. PETERSON: Very quickly, it is just an opportunity where housing authorities that have Section 8 certificates can now, under federal regulation, agree that up to 25 percent of any one project can receive -- they can be, in effect, transformed into project-based Section 8. Which night be a real useful tool in the future.

MR. KLEIN: Yes.

MS. PETERSON: And I thought that was actually what I was reading at the top of page 949.

MR. WARREN: No, but that is --

CHAIRMAN WALLACE: Lydia.

MS. TAN: I'm sorry, I just wanted to make one more comment. Hopefully, you will be approving this project today. We are planning on closing, subject to your approval, this week. So I just want to commend staff for the incredible, extraordinary effort they put into making sure all of our documentation is in place and the money is ordered in time for us to close before June 30. So I just want to publicly thank them.

CHAIRMAN WALLACE: Lydia talked to me a month ago at a BRIDGE board meeting. "Oh, I'm getting nervous, we're running up to the deadline." I said, you call Linn first, I'll call him second. I never called him. She did call me oack and said, thanks for Linn, he's a terrific asset to CHFA, which we are increasingly finding out.

MR. WARREN: I'll take any compliment I can get but my staff did all the work. They are the ones who did it, and our legal people did it. I have a great job. I get to take all the credit and they get to do all the work. It's a wonderful job.

CHAIRMAN WALLACE: But it's heartening to see, laving been involved in state government in another capacity, when you can react to some very difficult time constraints. And we are looked at as being a monolith with minimal compassion sometimes. She had a serious deadline and, Linn, your people did a great job. I think we need testimony like that once in a while. And she called me back and said, they are going to do it. So congratulations to you. And for hanging in there and doing the Lord's work, Lydia. With that, we need to act on this pretty quick. Is there a motion or did I get one?

MS. OJIMA: No, not yet.

MR. HOBBS: Wasn't there a postponement to the next meeting? (Laughter).

CHAIRMAN WALLACE: Mr. Hobbs wants a postponement, Lydia. Not really.

MR. HOBBS: No, no.

MS. NEAL: I move we approve this.

MS. PETERSON: So moved.

MR. HOBBS: Second.

CHAIRMAN WALLACE: I'll take a motion by Pat Neal. Who wants to --

MR. HOBBS: I'll second.

MS. BORNSTEIN: Ken seconded.

MR. KLEIN: Ken. Ken seconded.

CHAIRMAN WALLACE: Ken, okay.

MS. NEAL: They only have four days.

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

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution **01-26** has been approved.

CHAIRMAN WALLACE: Resolution **01-26 is** hereby approved. Let's move on to the five-in-one plan, right?

RESOLUTION 01-27

MR. WARREN: Yes, Mr. Chairman. The next set of projects for your consideration is really an approval of a portfolio refinance. We were asked about four or five months ago by the City of San Jose and Community Housing Development

Builders in San Jose to consider the refinancing of five of their smaller projects in the greater San Jose area, all owned by a 501(c)(3) affiliated with CHD.

(Ms. Symonds and Mr. Klein exited the meeting room.)

All of the projects had subordinate financing with the City of San Jose and had first lien financing from Samco, CCRC, Wells Fargo and others. The goal would be to supply 501(c)(3) financing at a below-market rate to allow for rehab to be accomplished and to allow the repayment of some of the subordinate debt with the City of San Jose. The goal being to recycle the money for the city so they, in turn, can re-lend it and recycle it for other projects.

So with that we took the five projects and we established a rate of six percent in this particular case, which we think is an appropriate rate for a portfolio refinance. It could go up, it could go down on future transactions. But we think that there is an incremental greater degree of concentrated risk on any type of portfolio refinance, hence, we are asking for a marginally higher interest rate and a debt coverage ratio of about 1.10 to 1.15 to also mitigate that risk.

But the real goal here is to rehab the properties, lock in long-term affordability with respect to the CHFA and the City of San Jose monies. In this particular case, approximately $950,000 of the city money is being repaid back to them for recycling. In addition to that I believe there's also some monies that are being paid back to HCD under one of their loans.

Jim will go through the projects in just a minute but, essentially, these are, again, smaller projects, they are 30 to 40 years old, in the greater San Jose area. We like to think that this is a precursor to other portfolio refinancings that we will see, not only with publicly funded but for nine percent tax credit deals and others. This really was the template. But again, the final goal was to help the projects and to recycle money back to the locality so they can re-lend it. So with that, Jim will run through the projects.

MR. LISKA: Here's a view of the first one. These are all located in the central/western city of San Jose. This is Bridgeport Court. Two buildings, a walk-up, open parking, built in 1964. Twenty-eight units; it's all three bedroom, two bath. It has a little tot lot. Interior courtyard. Right down the street you have Cape Cod which is, again, 28 units, two buildings, walk-ups, it almost mirrors the first one. Built in, again, 1964. A similar type of interior courtyard. They are all tight sites. The third one is Willard Apartments located on Willard, built in 1959. Again, a two story walk-up. This one is 20 units, all two bedrooms. Here is a typical kitchen in one of the units.

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

The next one is Willow I, built in 1959. It's one two-story walk-up building. Ten units, all one bedroom. The last one is -- again a typical kitchen. The last project of the five is Willow II Apartments built in 1953. Two buildings, two-story walk-up. Twelve units total, all one bedroom. Here is a display of open parking at the rear of the project.

As far as the different rent levels: Looking at 50 percent versus the market on Bridgeport. Cape Cod, 50 percent versus market, which is similar. For Willard, two bedrooms, 50 percent versus the market. Willow I, 50 percent and 60 percent, one bedroom, versus the market. Willow 11, 50 percent versus the market, and these are all one bedrooms. So you can see that there -- Again, we are in San Jose, Santa Clara County, and we still have a pretty good rent differential between the market and our income levels.

(Ms. Symonds re-entered the meeting room.)

MR. WARREN: To reiterate the terms: We are looking for approval for a total package of loans for $6,060,000, 6 percent interest rate, 20 year term, which I forgot to mention earlier. The goal here is to amortize the debt off earlier so whatever remaining loans there are with the City of San Jose can be paid back faster. So we went for a shorter amortization period so, essentially, we would make these projects debt-free earlier on and the city can reclaim their money earlier on. Mr. Chairman.

CHAIRMAN WALLACE: What was it in relation to the existing loan terms still to run, roughly?

MR. WARREN: Roughly the same. Most of the existing loans were approximately 10 to 12 years old so --

CHAIRMAN WALLACE: So we have 20 years. We had roughly 18 to 20 years and we're getting 20 years. So we are not extending the affordability but there are some other reasons.

MR. WARREN: I think the affordability, I believe, will extend an additional ten years. I will double check :hat. And the City of San Jose affordability will also extend for the period of time. And on some of the projects :here actually was no regulatory agreement against the property with the City of San Jose.

CHAIRMAN WALLACE: *Ah.*

MR. WARREN: So we are locking that in. So theoretically, they could have prepaid and gone away.

CHAIRMAN WALLACE: Sure.

MR. WARREN: The affordability restrictions do vary ornewhat. There is generally 20 percent at 50 and the balance at 70 or 80. There is one project it will be 100 percent limited to 50 percent of median. So with that we would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: Questions? Mr. Klein.

MR. KLEIN: Which project is it that will be 100 percent.at 50?

CHAIRMAN WALLACE: It was one of the Willards.

MS. PETERSON: Willard.

MR. WARREN: Willard.

MR. KLEIN: And the affordability term on all of these. I wasn't quite sure of what you were saying as to the extended term.

MR. WARREN: Twenty years is the affordability term on the HCD. For example, with Willard the term is 50 years at 50.

MR. KLEIN: Okay.

MR. WARREN: We have 20 years on the affordability restrictions.

MR. KLEIN: For the rest of the time?

MR. WARREN: Yes.

CHAIRMAN WALLACE: It's a good one. Nice package deal. More on the way?

MR. WARREN: We believe so, yes.

CHAIRMAN WALLACE: Okay. Any further questions from the Board or the audience? Hearing, seeing none the Chair will entertain a motion.

MS. HAWKINS: I move that Resolution 01-27 be approved.

CHAIRMAN WALLACE: Is there a second to that?

MR. HOBBS: Second.

CHAIRMAN WALLACE: Hobbs. Hawkins and Hobbs. That was an old double play combination, wasn't it?

MR. HOBBS: Chicago White Sox.

CHAIRMAN WALLACE: Hawkins to Hobbs to Chance, I think.

MS. PETERSON: Tinkers to Evers to Chance.

(Laughter).

MS. NEAL: Yes, that's right.

CHAIRMAN WALLACE: We've got our --

MS. PETERSON: Sorry.

CHAIRMAN WALLACE: Does the Chair stand corrected?

MS. NEAL: Yes.

CHAIRMAN WALLACE: I knew it was Tinker to Evers to Chance. I wanted to give our Board Analyst a chance to chime in. Good, Jeanne. Any question on the motion itself? Board? Audience? Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-27 has been approved.

CHAIRMAN WALLACE: Resolution 01-27 hereby approved. Moving on, Sycamore Square. We're almost there.

RESOLUTION 01-28

MR. WARREN: We're almost there, Mr. Chairman.

The last project for your consideration today is Sycamore Square Apartments. This is a 26-unit project which is really on two sites in Hayward. This is a CHFA portfolio Section 8 loan. It is what we refer to as a mismatched loan in which the Section 8 contract expires prior to the loan being paid off. Potentially, in this particular case, if the Section 8 contract should expire the owners would have the option to, essentially, take it to market sometime next year.

The general partner of this particular project is Eden Housing, also of Hayward, and they are exercising their right of first refusal to acquire the property, hence the fairly short time frame to go forward. With that I'll let Jim show you a few pictures of the project.

MR. LISKA: Sycamore Square is an existing project; it's a split site. There's two locations; the first one here. Both sites were built in 1984. The first site is located at 363 Valle Vista Avenue. This is 12 units. They are all two bedroom. There's two buildings. One and two story townhomes, covered parking, BART is within close distance to the project. The second one is located at 22650 Alice Street, which is approximately, I'm going to guess, maybe within a mile of the other site. It's 14 tri-level units, all three bedroom, one-and-a-half bath, with covered parking.

Here is a typical neighborhood view. Here is a typical neighborhood park in the area. There will be some rehabilitation. Approximately $115,000 will be spent on rehabilitation, primarily new roofing, deck repairs, fencing, retaining wall, water heaters and meeting other requirements for GFIs at the kitchens and baths.

As Linn indicated, Section 8 is going to expire in the year 2003. We have 50 and 60 percent rent levels. The Section 8 is slightly above the 50 and 60 and again we have a pretty good gap between our market rents versus our 50/60 percent income levels and rent levels.

One clarification was brought to my attention on page 1026. Linn will speak to it but I might as well bring it to his attention too if he did not catch it already. On the borrower's profile. This is a straight 501(c)(3) ownership. There is no partnership and that should have been deleted in my write-up. With that --

MR. WARREN: Thank you. The funding request is formally for $2,150,000, 5.7 percent, 30 year fully amortizing. A second loan of $290,000, essentially a gap loan, 10 years, also 501(c)(3).

There are a couple of wrinkles on this. Number one is this is subject to our FAF agreement, which is the Financing Adjustment Factor with HUD. As more of these mismatches come up for refinancing the FAF agreement in which we are basically sharing excess proceeds with HUD in exchange for refinancing in a prior history of the project we have to either unwind or modify these agreements with HUD. We are commencing those discussions. We are not quite sure what their requirements are going to be but it is something we are going to have to deal with.

The second is, this is FHA-insured and we are contemplating replacing the FHA insurance with the FHA risk-share program, which we think is also appropriate to do on a lot of our Section 8 projects as we refinance them and we get back into the FHA program. So, again, this is consistent with our portfolio refinancing philosophies offering market rate to try to preserve these mismatches. With that we would like to recommend approval.

CHAIRMAN WALLACE: Any questions? Mr. Klein.

MR. KLEIN: First of all, I would like to commend the staff for their effective use of the 501(c)(3) capacity to really extend the reach of the Agency in affordability in projects that we do not have allocation to reach. It is a tremendous benefit to the Agency and the programs. Secondly, I would like to understand, with this mismatch in terms how do you deal with the Section 8 income? Are you underwriting based upon the 60 percent of median rents?

MR. WARREN: We are. We are basically setting it to the 50 and 60 percent rents like we normally do. We certainly expect the Section 8 to continue; that is Eden's desire as well. Given the market in Hayward we are not requiring a transition reserve. For example, should the Section 8 stop, it's a fairly small project so we are not really worried about that. So we are trying to set the debt level at an appropriate level, which is 50 and 60 percent, and not necessarily underwrite to the Section 8 that way.

MR. KLEIN: Okay.

MR. WARREN: I think it's just a prudent -- As you can see, we didn't really have to in this particular case. The amount of money generated by the 50 percent level was sufficient.

MR. KLEIN: And what is our agreement with HUD on these FAF contracts? What is the nature of that?

MR. WARREN: I will try to stumble through this and I will ask Mr. Carlson to help me with this. But basically, it is that at a prior time there was a refinancing of the project but the Section 8 contract, at its contractual levels, was left in place and there is a sharing of these excess dollars that resulted from the refinancing. Some go to HUD, the rest goes to CHFA for use in affordable housing. That, essentially, is it. I'm assuming that's close enough.

(Messrs. Carlson & Dirks nodded agreement.)

The question then is, if we unwind the contract prematurely, what are the expectations from HUD? Essentially, they have lost an income stream. So that is, in a nutshell, what we have to deal with.

CHAIRMAN WALLACE: Any other questions? Motion? Jeanne.

MS. PETERSON: So moved.

CHAIRMAN WALLACE: Nice going. Bob.

MR. KLEIN: Second.

CHAIRMAN WALLACE: Second. Any question on the notion? Hearing and seeing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Chairman Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 01-28 has been approved.

CHAIRMAN WALLACE: Resolution 01-28 is hereby approved. Moving on to Item 5. Good job, you guys.

MR. WARREN: Thank you very much.

CHAIRMAN WALLACE: A long agenda, a lot of projects and good, thorough analyses.

STATUS OF *AB 999*

Item 5. Terri, let's talk about the status of AB 999, the CAR proposal to remove CaHLIF from CHFA's auspices.

MS. PARKER: Thank you, Mr. Chairman. I've asked Di to come up here. Since she is our Director of Legislation, she can give you an overview of where the Legislature is in its cycle for this year and where AB 999 sits.

But before she begins to speak let me just say that based on our last meeting, the testimony by Mr. Kingston from CAR, our office has been contacted by the Executive Director of CAR, Joel Singer, to establish a meeting. We have been trading dates back and forth. Their intention was to try to have a number of their board members come, and because of conflicts the earliest date that we have been able to get that meeting set is August 17.

So we are intending to have a meeting with them to sit down and talk about their proposal, see if we can get a better understanding of it. Again, because in our minds we have continued to have some questions about what is it that they want to be accomplishing that, in fact, we have not been accomplishing. To make sure that we, at least, understand fundamentally where they are coming from. But, Di, if you could give the Board Members a status report.

MS. RICHARDSON: Sure. I think when we talked about it last time the bill was pending before the Assembly Appropriations Committee. There were some conversations with Mr. Kingston. I think, Mr. Wallace, you asked if they would consider postponing taking action on the bill. They did not consciously make the decision to do so, they did ask that the bill be moved. But the committee chose to hold the bill on suspense. The committee was convinced that although the appropriation had been deleted from the bill there were significant costs and held the bill on the suspense calendar.

So effectively, **999** will not be moving this year. However, Senator Burton has introduced a housing bond bill which has been moved out of the Senate to the Assembly. I have been contacted by several people and I have been in contact with Senator Burton's staff. I have been told by numerous people that **CAR** has indicated that they will oppose the bond bill unless it contains funding for CaHLIF. I have put a call in to Mr. Kingston. I wanted to, sort of, talk to him personally and get a better sense of exactly what that meant given that **999** did not seem to be moving this year and we have not hooked up, so I can't relay to you a direct conversation from ***CAR*** on that. But everybody believes that that is something that CAR will be pursuing in the bond. So although **999** won't be moving this year, we may see some other form of this issue come up in the bond.

MS. PARKER: I think that provides an opportunity too, if it does occur, for **CAR** to, essentially, be drawn out in what is it that they are trying to accomplish with their legislation. When **999** was heard in the housing committee therewas really no discussion of this, and in that sense the members who voted on it were not in the situation of trying to understand what may be tradeoffs to the broader housing community. If there is general fund competition for the financing of CaHLIF, what exactly does that mean, and the tradeoff for it to be in other housing-type programs, whether it be of the MHP program or down payment assistance or the Governor's program on the Jobs/Housing Balance fund. One thing, Di, just to reiterate: The Agency has an opposed position on the bill.

CHAIRMAN WALLACE: Yes. Where are we?

MS. RICHARDSON: Mr. Wallace asked me to sort of explain how the process worked. CHFA prepares an analysis, sends it to Agency for review. They have a chance to either concur in our position, or they can make a separate recommendation if they choose to do so. They concurred in our position. It goes to the Governor's office who can, basically, do nothing with it. Our position was approved so we are on record as having an approved opposed position.

But I want to stress that this should not be viewed as the Governor's position. Unless somebody actually takes the bill to the Governor and has a conversation with him and says, how do you feel about this -- To my knowledge, that has not happened on this bill. But we do -- It does strengthen our position to have an approved Governor's Office position and we are on record. No one was surprised by our position but we are on record and we are out there opposed.

CHAIRMAN WALLACE: And I don't think, therefore, unless the Board feels differently, which would surprise me, that there is any need for any action on our part. Staff routinely takes these actions. When this first came to our attention, we brought it to the Board for possible action but it's a moving target and staff has done what they would normally do in this connection. So I don't expect --

MS. RICHARDSON: We do have a letter on record with the author's office--which, if anyone is interested if you want to let me know I will be happy to share that with you--because I think it's a pretty detailed explanation.

MS. PARKER: Let's just send it to the Board Members.

MS. RICHARDSON: Okay.

CHAIRMAN WALLACE: Sure. Bob.

MR. KLEIN: Given how things usually work at the end of sessions one would expect that CAR might take a position at a conference committee to try and leverage the inclusion of their provisions in this bond bill. I would hope we would contact, not just the lead sponsor of the bond bill but his lead co-sponsors, to educate them really well --

CHAIRMAN WALLACE: You mean the author or the sponsor?

MR. KLEIN: The author. The author, excuse me.

CHAIRMAN WALLACE: The assemblyman.

MR. KLEIN: Yes. The senator, in this case.

Generally he is going to add through the process some co-authors in both houses. Hopefully, we could go to the lead co-authors, so that at the conference committee, we don't have a situation where there's a very quick movement to try and get a consensus and we don't have enough breadth in the education of the authors who are present on the conference committee to really understand the significance of what is happening.

CHAIRMAN WALLACE: Well, there's some precedent moves, I think, the most important of which is to meet with CAR at their request. Now, I have talked to Joel Singer and to Ron Kingston and to Ron's boss, Alex Creel and I think we are all anticipating a meeting where we try and smoke out what their real agenda is. You got a lot of blue smoke and mirrors from Ron down at our last meeting in Burbank. Which is to be expected. He didn't answer some direct questions. But that's okay. He's had his day in court, he's done his obligatory 'come and talk' to us. But I think it will be meaningful for us to have the meeting on August 17 and then we will determine strategy.

The good news is it's a two-year bill, in any case. The bad news, we are all, as you and Di have indicated, vulnerable to some games being played, in this case with the bond bill to get CAR -- I don't think Burton is going to go south because CAR opposes his bond bill because they can't get money to buy CaHLIF into an independent agency. Having said that, you never know so you have got to protect your flanks, as you were saying, Bob.

MS. RICHARDSON: Mr. Chairman, that is a good idea and I have been talking to, certainly, the proponents of the bond. Several of them have come to us and sort of asked us how we feel about this. No surprises, everybody knows where we are. We have shared our letter with quite a few people. Mr. Keeley is actually a co-sponsor of the housing bond and I think that he was a little surprised by -- He did not know that CAR was going to be asking for money for CaHLIF. So those discussions have been taking place.

(Ms. Bornstein exited the meeting room.)

MS. PARKER: Let me add to that. I think, at Least, our success to date in that sense of being able to get what we believe is correct or accurate information out. Since we, obviously, can't be everywhere, we have tried to make sure that our education is done at a very detailed level, particularly with fiscal committee staff. We spent a great deal of time talking to the fiscal committee's staff in the Assembly and I think that that was very helpful. Their analysis of the appropriations committee was very different than the housing committee staff report, in much more detail. And I think we would certainly be doing that with the fiscal committees. We would also be working with Department of Finance and making sure that they understand what the fiscal implications of the bill are, so people in different settings are speaking, you know, we are all saying the same thing.

CHAIRMAN WALLACE: Okay.

MR. HOBBS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Ken.

MR. HOBBS: If I'm cutting through where you are, the Board is standby until otherwise directed.

CHAIRMAN WALLACE: I think so. Anybody uncomfortable with where we are?

MR. HOBBS: No.

MS. NEAL: It's a good place for you to be, Clark.

CHAIRMAN WALLACE: Yes. I think we are comfortable with where we are. Pat and I have talked. She represents Agency on this issue. She certainly knows CAR, she's a past president, as I am, of CAR. This is not a new issue with CAR and there are some legitimate pursuits in behalf of their members. I happen to believe--Pat, you may have a different view--that this is not the proper path to pursue for their members.

But there could be some paths we could join -- And I have told Joel Singer and I have told Alex Creel and their people, we should talk. Because we all want to do more business. It's just that we do not want to lose what is a growing, valuable program within CHFA and see it trashed because of an agenda you may have. Which is laudable but not in the interest of the constituency we serve. So we are trying to see if there is a win-win situation. So I am very comfortable with where we are and I think you should be and we will know more on the 17th. Okay?

MS. RICHARDSON: Mr. Chairman, if I could. I just have one more change from my legislative report that I think I should bring to your attention. On page 2014, which is my third page, SB 73. Most of the bills that I indicated that were held in fiscal committee of the first house under submission. By some miracle SB 73 was heard Monday. I don't know what day this is. Is today Tuesday? Some agreements, I guess, some meetings of the mind, were made and SB 73 is now noved out of the appropriations committee by a vote of 11-0. So that is going to continue moving for the time being.

The Department of Finance has some concerns about :he bill related to costs, given the budget constraints that ve are all under this year. I know that is a bill that a lot of you are interested in and are taking a look at. I did not /ant to leave you with the impression that bill was not going :o move this year because it looks now like it will.

CHAIRMAN WALLACE: Well, if you look at the ponsors, why not. It should move.

(Ms. Bornstein re-entered the

meeting room.)

MS. PARKER: Di, just to add too, to follow-up to our meeting from last month and our Business Plan, just as an update. I think we alerted the Board that it was likely that the programs that the Agency was running that were supported by general fund would likely cease to operate next year because of the fiscal environment and the need, in that sense, if those funds were available to have them be utilized for higher priority programs. That, to date, looks to be the way that the fiscal committees have, essentially, moved to adopt what the Governor has proposed in his May revision.

We have sent notices to all of our stakeholders that, essentially, beginning the new fiscal year we will no longer be operating the schools facilities programs, those three down payment assistance programs on home ownership side and the rental program, and that our CHDAP down payment assistance program will also discontinue. We will, though, continue to operate all programs that were in the Business Plan that were using Agency resources.

CHAIRMAN WALLACE: I think we are through with Item 5, the discussion of AB 999. Thank you, Di.

OTHER BOARD MATTERS

Let's move on to Item 6, other Board matters and reports. Terri, I know you have got one.

MS. PARKER: I do have one item I would like to discuss with the Board, to bring to the Board for consideration and adoption at our next Board Meeting. That is, staff would like to raise the issue with the Board about the possibility of creating some kind of delegation authority for very small projects, for a variety of reasons. Obviously, from the standpoint of given the amount of business that we are trying to do, the number of items for your consideration. But also, primarily, another secondary reason is that the staff is interested in trying to see if we can create an even stronger effort of trying to work with small businesses, small developers, that are much more time-sensitive. With our Board Meetings every two months -- This goes without saying, that obviously they are still going to have to meet the timelines of CDLAC and TCAC board meetings but ours is an additional one.

So we would like to bring to you the possibility of Looking at delegation on small projects. We would, obviously, try to outline the parameters of that so that you would feel comfortable. These would have to be projects that would fit within this criteria. Anything that did not fit in that, irrespective of the dollar amount, would have to come to the Board. But unless I hear from you that you are vehemently opposed to even hearing about this I would like to be able to put that on the agenda for our next meeting.

CHAIRMAN WALLACE: Who wants to be vehemently opposed to, and be un-American and not listen to a proposal from our erstwhile staff?

MS. PETERSON: Well, if you put it that way.

MR. KLEIN: Hopefully, it's still our staff.

CHAIRMAN WALLACE: Tinkers, Evers and Chance spoke up. No, let's hear it out and see what they say. We had about six fairly small projects, even though one was a package of five. And it could be that with proper guidelines, criteria, our time is better utilized. Carrie.

MS. HAWKINS: Yes. I think I would look forward to that because I think our time would be better spent dealing with our mission and policy and our ends results, not the means to the end. I look forward to your presentation.

MS. PARKER: I think I would say that the staff thought that our Board Meeting last month was great. We really thought the idea of having the opportunity to have so nuch time spent on our Business Plan and not have the diversion worked out. We are going to be looking at that from the standpoint of how we manage our Board Meetings next fear. I think that is what staff is essentially thinking. That we want to make sure that your time is spent with us, particularly, one, making sure that you understand, as we are going to do in a few minutes, the risks associated with the financing of projects. What is happening with the market and what kind of policy direction of our products for the housing community is the best use of your time.

CHAIRMAN WALLACE: Okay. So we'll look forward to hearing something on this subject at the next Board Meeting. Any other items from the Board that were not agendized that you want to bring up at this time? There are some reports. Carlson's usual update in the back under the reports section. I don't know that there is any need for verbalization of those unless I hear otherwise.

MS. PARKER: I think Ken is okay, essentially, you know. Any of those questions may come out as part of Merrill's presentation.

PUBLIC TESTIMONY

CHAIRMAN WALLACE: Okay. I see here nothing else so let me ask, Item 7. Any members of the public here that want to bring forth an item that is otherwise not agendized? Seeing, hearing none let's move on to the presentation, Ken. And you will set the stage and introduce our guest.

PRESENTATION

MR. CARLSON: Thank you, Mr. Chairman. Our guest s David Notkin, Director of Merrill Lynch and Company. He nd his colleague, Jason Stevens--in the back there, wave, ason--have spent a lot of time over the past several months updating work that they have done over the years of trying to project, in this case, what happens under different interest rate sensitivities, to how well our largest program, our home mortgage revenue bond program which is two-thirds of the assets and liabilities of the Agency, how does it perform under those scenarios.

And what we have put together is a little presentation where the first part I will give, basically, a status report, all of which, of course, is in the status report I give you for every Board Meeting. But I have got some slides here just to refresh everyone's memory. Then David will go through the interest rate sensitivity analysis. We wanted to say too that we made the same presentation to both Moody's and Standard and Poor's last week in New York. The results of the study we thought were so favorable that both those credit rating services were very pleased with the outcome of it. I think it should give you comfort that the kind of risks that we are taking, we are not risking the entire farm.

So why don't we go ahead here. There we go. Just to remind you here, this is our status right now. About one-third of our debt -- We are projecting forward to August 1 because we know what we are going to do in July and we are closing another deal this week.

About one-third of our debt now is variable rate debt and of that 1.8 billion is swapped or will be swapped by August 1. Then there is a residual amount of some $646 million that is not swapped or tied to variable rate loans and we call this our net variable rate debt. Here is how it breaks out as to whether it is tax-exempt or taxable or short or long average life. We try to keep most of this at a relatively short average life so we can work it off fairly quickly if rates go up.

But as we have talked about before, one of the purposes of this is to hedge us against interest rate environments exactly like we are seeing today, where short-term interest rates are very low. Loan rates are low as well. We are losing loans from our portfolio almost as fast as we are putting on new loans. We are losing, I think in May, almost $80 million of loans, the first three weeks of June now almost $60 million, and we are trying to put on to do a $1 billion a year program. We are trying to put on, what, $83 million per month to average out at a billion. So we are just barely treading water as far as maintaining our loan portfolio.

MR. KLEIN: On the taxable, what is the average life of that short-term?

MR. CARLSON: Most of that is well under ten years. More like seven. Six, seven years average life. The other thing that is happening when interest rates are like this is when we have to invest bond proceeds, or even the monies we have that are not bond proceeds. The rates are lower and lower all the time. We are taking a huge opportunity cost in our investment. We are trying to compensate for some of it in this way.

The interest rate swaps, we predict $1.8 billion by August 1. As you can see, almost all of it is in the single family program. We did complete another one last week for the multifamily program, which is incorporated into this analysis here. As you can see, most of our swaps are in the taxable and single family related to the variable rate bonds that we are now selling to the Federal Home Loan Bank. This just shows the types of variable rate debt that we have. The amount that is indexed rate, those are the bonds being sold to the Federal Home Loan Bank. That keeps growing.

The variable rate demand obligations. Those are the put bonds that require liquidity, from banks, generally. We are very pleased to announce that this week we will close a deal with Fannie Mae providing liquidity for our multifamily program. They have initially indicated they are willing to do $250 million of that but we have every hope that they will be able to do all of our multifamily debt going forward.

MR. KLEIN: And on the auction rate: Is that a residual, the $87 million single family, or the auction rate debt, the tax-exempt and taxable showing up in this category as well? Is that a residual of an old program or is that a current auction rate market? What are the mechanics of it?

MR. CARLSON: Generally, those are the residual from -- We sold auction rate bonds back five, six years ago for a very small adjustable rate loan program. We also sold some auction bonds in 1998 or in early 1999 that were taxable. But we are not using the auction rate securities in new programs right now. We see that as one ace in the hole, if we lose the ability to get liquidity we can always do auction bonds. Or if the Federal Home Loan Bank decides to no longer be buying our bonds then we always have auction bonds we can try to do.

I just want to remind you, why are we doing these swaps and variable rate bonds. We are doing it in the multifamily program because it is saving us and our borrowers quite a bit of money. We are able to offer a 5.70 rate, which is not only providing the borrowers a good 30 year fixed rate lower than the private market is providing but it is also helping us make our multifamily program stronger. We are able to retain earnings from it that will help compensate us in the event that some of these projects go under, as we have to expect some will.

In single family, primarily, it is enabling us to sell a lot more taxable bonds. We are getting probably a 60 percent larger program. Instead of doing, say, a $600 million a year program we are able to do a $1 billion a year program. That is because at the same cost of funds we can do that many more bonds and make our program the size that we really want it to be. With that I will turn this over to David. There it is, David Notkin.

MR. NOTKIN: There I am.

MR. CARLSON: Director, Merrill Lynch and Company. David can talk about the interest rate sensitivity analysis.

CHAIRMAN WALLACE: Have you ever had a better introduction, David?

MR. NOTKIN: That about is the best, I'd say. And the slowest.

MR. CARLSON: There we go.

MR. NOTKIN: Actually, before we even jump into this first chart.

MR. CARLSON: Okay.

MR. NOTKIN: We have been working with the Agency for a number of years now on cash flow analyses of the Agency's various bond indentures, both single family and multifamily, a good part of all of them. I forget how many years it has been but at least I have been involved I think around six or so, six or seven years of the process.

It has gotten considerably more complicated since we have been working with the Agency with variable rate bonds and the interest rate swaps in that we are -- To be sure, for your benefit as well the Agency's benefit, to make sure that the things that you are doing on the financing side, along with the program side, all work out well from a financial perspective. That is important both from, obviously, an on-going concern basis but also to the rating agencies themselves. As the use of variable rate bonds has proliferated through the industry since about 1997--and CHFA was amongst the earlier agencies to use variable rate debt to finance long-term assets like this--obviously it has been important to work with the rating agencies to prove out under stress scenarios that these programs are, in fact, safe and achieving what they would like.

What I will go through is, basically, a number of scenarios where Merrill Lynch has developed its own stress assumptions along with Moody's Investor Service as one rating agency rating the Agency's debt, and Standard & Poor's, which is the other rating agency that has ratings on CHFA's bonds. Initially, why don't I just kind of walk through here.

In the cash flows that we run we also have to bear in mind what we do is load into a massive computer model, in this case the home mortgage revenue bond indenture, all of the mortgage loans through a certain date, all of the investments, all of the bonds that are outstanding at that point in time, and a number of other assumptions and variables that we then apply through different interest rate environments and pre-payment assumptions that are either dictated by the rating agencies or that we develop ourselves.

So in this first slide -- I think we are going to just walk you through our basic methodology on the assumptions of our sensitivity analysis. There is a lot going on in this graph but I will try to condense it as best possible. On the X-axis going across we, basically, created eight different interest rate scenarios. We started with a base case which was actually back in March of this year when we worked with the Agency on putting together its Business Plan. You can see under the base case scenario where we have assumptions for where conventional loans would be. I think it was at seven percent.

We had LIBOR, which is the London Interbank Offering Rate, which is a very liquid market for borrowing taxable short-term funds. We have one month LIBOR at five percent and then we made an assumption on the Agency's tax-exempt variable rate bonds being basically 65 percent of the taxable or LIBOR rate. So that's the third, basically Looking at the third green bar over from the left side. You can see those kinds of assumptions as part of the white, red and black lines.

Then going across left to right we make assumptions based on changes in interest rate environments. And these re interest rate environments based on mortgage-backed ecurities research that is available through on-line services such as Bloomberg Financials. One hundred basis point movements going up and down. As you can see, minus 200, minus 100 and then going across with the plus-500. And 100 basis point movement is, basically, one full percentage point. So you can see how we basically run our assumptions such that interest rates increase, whether it's mortgage rates going up, conventional mortgage rates increasing, a corresponding increase of short-term taxable rates, and likewise, tax-exempt cost of funds as well.

As you would expect, as interest rates--and as the Agency experiences in real life--as interest rates increase the runoff of the portfolio, the mortgage portfolio through ?repayments, declines. Prepayments slow up. Likewise, as rates decline prepayment speeds increase. That was, as Ken was speaking about before, with basically running off $80 million of loans a month just trying to tread water with the loans that its adding through new lending. The green bars kind of represent, in tandem with the axis on the right hand side, our estimates based on our mortgage-backed securities research for prepayment speeds for the Agency's actual mortgage loans that we have modeled. It's fairly complex and f anyone has any questions on this graph, which has a lot going for it, please ask now before I go on.

CHAIRMAN WALLACE: Quick, move it on.

MR. NOTKIN: Okay, okay.

MR. KLEIN: Let me just ask. Your assumption, 65 percent of LIBOR you are assuming to be the base case for what?

MR. NOTKIN: Hold on.

MR. KLEIN: I don't need the chart, just tell me. Sixty-five percent of LIBOR is calculated to be your --

MR. NOTKIN: That is our assumption that we make for what the Agency's tax-exempt variable rate bonds would trade -- They have actually been trading better than that. Basically, at lower rates than that.

MR. KLEIN: Right. Where have they been trading? Fifty? Fifty-five?

MR. NOTKIN: It varies. Probably more around a 60 percent, I guess.

MR. KLEIN: Okay.

MR. NOTKIN: I'll try to get through the rest of :his fairly quickly. Just one thing. The way this analysis is really based is we try to measure the wealth of the HMRB ndenture under these different interest rate changes. We easure that in terms of residual assets, which is basically - and we're looking at present value basis of those residual ssets. And it winds up being at the end of the indenture-- ssuming that the Agency doesn't do any more bonds from a given point in time--it's the equity which is comprised of ash, mortgage loans, investments and everything that remains when the bonds have since been paid off, discounted back or present valued back to the date of the cash flow run. At this point we used five-fifty, which at the time of our analysis was our PV rate.

But the main thing to bear in mind is residual assets, this equity that will remain, is a function, really, of the mortgage prepayments and how fast bonds are redeemed. The variable interest rate scenario that we talked about just a second ago. And under certain of those interest rate environments surplus revenues generate a profit, generated by the indenture will be greater or less than, depending on where rates are. And then also any cash that the Agency removes from the indenture to pay for other things.

So this is our first scenarios that we ran, which are basically assuming that just changes in rates and prepayment speeds and that there's no major tax code change, no change to the federal marginal tax rate. And as you can see, what we have been trying to do over the past several years by using variable rate debt that is not swapped to a fixed rate -- If you look all the way to the left you can see that the present value of residual assets declines from the base case of, let's say, $450 million to below $400 million when rates go down by a point to a bit over, let's say, $375 million they drop another two basis points. Really, it's that running through of prepayments that has a decreasing effect on the Agency's wealth.

Likewise, as rates increase prepayments slow up but, obviously, the variable rate bonds begin to hurt. But they are not quite as bad as you see from just the experience of prepayments in very low rate environments. So it is these types of environments that we are in, like today, that we are really trying to hedge.

MS. NEAL: Mr. Chairman.

CHAIRMAN WALLACE: Yes.

MS. NEAL: I'd like to ask David a question. When you go into any of this do you factor anything in about the ten-year rule?

MR. NOTKIN: Yes, the ten-year rules are modeled in to our assumptions. First, they are factored into any bond structure that the Agency does and, of course, that flows through. We replicate that modeling in each cash flow for each deal.

MS. NEAL: So you can take into account if we get it changed, also?

MR. NOTKIN: We have not done any sensitivities based on projected changes to the ten-year rule. In fact, going backwards you are looking at transactions that you have already completed. I'm not sure if there would be anything different from a structural standpoint that would impact changes. It might be more on a going forward basis.

MS. PARKER: Ms. Neal, we have done an analysis, though, if the ten-year rule were to pass, what the economic benefit would be for the state. We do have those numbers available. David's projections are basically based on current federal statutes.

MR. NOTKIN: That's right.

MR. CARLSON: Mr. Chairman, I should emphasize too that this is based on -- These analyses are done on a sort of static base, assuming -- They basically do not take into account the new debt we would issue in the future or the new loans we would acquire. That is a different, even more complicated kind of analysis. But we think if we continue doing what we are doing the future will look like today's case as well.

MR. NOTKIN: In this next set, what we did was, we sssume that prepayment speeds stay the same, conventional nortgage rates move the way we expected. What we assume is an immediate change in the tax code, even though we just kind of got a ten year breather for that. We assume immediately that we go to a value added tax system such that there's no marginal tax rates, therefore, the Agency's tax-exempt variable rate bonds would begin to trade exactly the same as its taxable variable rate bonds. There would no longer be a deduction for tax-exempt interest. Obviously, that's more stress on the cash flows.

You can see the change in shape of these green bars, which is the projected wealth, versus the prior slide where as rates go higher and higher it has a much stronger effect on eating into the wealth of the Agency to a point where if we go up 500 basis points or 5 points from today, which would be LIBOR, roughly, 9 percent. And that's for 30 years. We are saying these rates would hit tomorrow and stay there for the next 30 or so years. So obviously, extremely stressful but yet still has almost $250 million of present value wealth remaining at the end of the day. A very unlikely scenario to occur.

In this next slide, just kind of quickly. This is Moody's interest rate assumptions. They are a little different from us. Instead of maintaining a set level of interest rate on the variable rate bonds and holding that constant for 30 years Moody's likes us to use this stepping up of rates for a period of time. These are the number of months below. So it steps up for five years, it holds steady at a higher rate based on the type of bond that it is, whether it's tax-exempt or taxable. Or, in their case, instead of assuming a value added tax-type system they assume that a tax code change occurs such that tax-exempt variable rate bonds instead of trading at the 65 percent of LIBOR that we have assumed, they start trading at about 75 percent of the taxable rates. So that is the green line in the middle.

And when we run their scenarios they ask us to run under three prepayment speeds, 0 percent PSA, 100 percent PSA and 500 percent PSA. And these prepayment speeds, just as an indication from an index perspective, 100 percent **PSA** is effectively 6 percent of the entire mortgage pool paying off each year. So it is a 6 percent constant prepayment rate. We run that both for no tax code change assumed as well as assuming their **75** percent change. You can see what happens. Obviously, the higher prepayment speeds would cut into the Agency's ability to earn its spread and therefore cuts into the present value wealth.

MR. KLEIN: Is'the assumption on the higher prepayment speeds that we are not offsetting that by new originations?

MR. NOTKIN: In each of these cases it is very difficult for us to run prospectively. Actually, in our Business Plan work with the Agency we did do some test cases where we added on $1 billion a year for five years. But at some point these have to become snapshots and you kind of have to stop where you are and just run it from where you are. And unfortunately, it is not perfect from that perspective. You are an ongoing concern. You would keep issuing. And there's also things that you would do even if certain strange interest rate environments were to occur. You would not just sit still and be calling bonds or doing whatever. You would probably take actions one way or the other to manage your portfolio.

MR. KLEIN: But there is a significance to this in that our ability to continue to issue at the same level is constrained by the fact that we are nearing the end of the ten year rollover period when we have enough recapture to sustain this level of activities. Is that right, Ken?

MR. CARLSON: Well, of course, we do hope to benefit, and we have already benefited from, the increase in the volume cap.

MR. KLEIN: Right. But without that increase.

MR. CARLSON: Yes.

MR. KLEIN: We would be facing a declining issuing capacity here.

MR. CARLSON: Yes. There is a small irony here, though. The tiny silver lining in this black cloud of all these loans running off is that we are getting more prepayments that we are able to issue replacement funding bonds for.

MR. KLEIN: Right.

MR. CARLSON: So we have an unexpected slight windfall right now in authority to issue.

MR. KLEIN: But without 'the ten-year rule being changed, is it two years from now that we hit a wall?

MR. CARLSON: Well, there's not exactly a wall but he amount of -- Now we are seeing loans that are coming off from bonds that were issued within the last ten years. Those, of course, we can replace. But it is the older portfolio that we are losing, so anything that was based on bond issues from ten years previous we are now unable to replace that debt. So what it means is that we are probably only able -- Right now of the principal that gets retired only a third of it can we convert to new debt.

MS. PARKER: Mr. Klein, obviously that's going to be a factor too of what ability we have continuing to be as aggressive as we are in the taxable market. I mean, just a couple of years ago we were doing -- Perhaps 30 or 40 percent of our bonds sold were taxable, now we are doing as much as 70. So we have been able to use that to offset and expand.

MR. KLEIN: Right.

MS. PARKER: Obviously, less than $250 million of allocation to do $1 billion of business. It's really the factors of how much additional CDLAC new allocation we get, what happens with the prepayments and then what happens with the ability to do taxable.

MR. NOTKIN: Just a couple more slides here and we'll wrap it up. This is Standard & Poor's. You can see a Little different shape to their assumptions for their stress scenarios. They kind of step things up in a little slower pace as far as their variable rate bonds and then they get to a -- they plateau out at around 191 and stay at that level.

So that's fairly stressful, obviously. It never comes back down such as in the Moody's perspective. But it doesn't bother us. We actually like to look at different ways to stress these things out.

Again you can see their tax event scenario is a little bit different. It's not a straight 75 percent, it kind of has its own shape to it. But when we apply these you can see the real change. These are a little steeper declines. Obviously, because the rates get to those higher levels and just stay there, you can see the effect it has on wealth whether it is no tax code change or tax code change assumed.

In every case -- I guess there's one thing I want to point out. We are dealing with large numbers here. The baseline, even under the most stressful scenarios, are hundreds of millions of dollars of wealth that remain on a present value basis. That is present value today. Obviously, these are cash flows being run out for 30 years from now. The aggregate dollar amounts of these in real numbers, obviously, is well beyond this number. These are real dollars.

MR. CARLSON: I think just to wind up: What this shows to us, and what we think message the rating agencies got was that the strategies that we are using, while they involve more risk than vanilla fixed-rate bond strategies, they are still not terribly risky. We are still leaving, as David said, considerable strength in the indenture, even under these scenarios which we think are extremely unlikely. So we think there is additional capacity to take the kinds of prudent risks that we have been taking and to continue to function the way that we have. With your support I think we will keep trying to do that and I think if we do that we can meet the goals of the Business Plan.

MS. PARKER: One other thing, David, just to give credit where credit is due. Perhaps you might just recognize your colleague, Mr. Stevens, who is also here, that went through the compilation of all this data. We want to express our appreciation, obviously.

MR. NOTKIN: We are thankful as well. Jason Stevens, as Ken pointed out before, is an associate that joined our group in February, from actually, a cash flow provider several years before in another business that he was involved in. He has been a great addition to our staff and very helpful, brought a lot to the table. Also there was another gentleman back in New York named Jeremy Warren, an analyst that works with us.

Basically, the two of them, and even myself and some others, spent a lot of time on this. It's a very good learning process for us. It allows us to get really involved in the Agency, understanding its program and really getting a good feel for the financial perspective of this indenture, which obviously has numerous complexities and requires this type of measurements to be taken. We are real pleased to work with the Agency on this.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: I think we need to recognize that our staff, I believe, is fairly alone in being able to achieve the initiative of getting this ratio of taxable debt to tax-exempt debt in the single family program. It is a tremendous achievement to really extend the affordability in the state by this magnitude.

MR. NOTKIN: Actually, it's unique in the country.. There is no other agency that I work with that is doing this type of stuff that your staff is actually accomplishing here. It's commendable.

CHAIRMAN WALLACE: So we're okay?

MR. NOTKIN: Two thumbs up.

CHAIRMAN WALLACE: Okay. And Carlson should be retained for at least another few months.

MR. NOTKIN: Maybe two weeks. Thank you very much 'or your time.

MR. CARLSON: Thank you.

CHAIRMAN WALLACE: Thank you, David, and to your associates, we appreciate it. Ken, as always, we appreciate you greatly. Okay, any further questions on this matter? If not let me tell you that I think the next meeting is in Burbank, September 13, 9:30 a.m. at the Burbank Hilton. If there are no further items to come before the Board we are adjourned until then. Thank you.

(Thereupon the meeting was adjourned at 12:29 p.m.)

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CERTIFICATION AND

DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed two (2) tapes in number and this covers a total of pages 1 through 128, and which recording was duly recorded at Sacramento, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 26th day of June, 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 20th day of July 2001, at Sacramento County, California.

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Ramona Cota, Official Transcriber

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Union Court Apartments
CHFA Ln. # 00-042-N

SUMMARY:

This is a Final Commitment request for a tax-exempt first mortgage in the amount of $1,295,000 that is fully amortized over thirty years at 5.90%. The project is Union Court Apartments, a 68-unit, family, existing project located at 850-940 South Union Road and 1175-1 155 Wawona Street, Manteca in San Joaquin County.

LOAN TERMS:

1st Mortgage		**$1,295,000**
	Interest Rate	5.90%
	Term	30 year fixed, fully amortized
	Financing	Tax- Exempt

BACKGROUND:

The City of Manteca ("the City") was awarded tax-exempt private activity bond allocation for the project. Wells Fargo will purchase the bonds through a private placement and funded a loan for the purpose of acquiring and rehabilitating the property. The Wells Fargo loan is for an 18-month term. CHFA will refund the local bond issue and retire the Wells Fargo loan upon completion, rent-up and stabilization of the project. Due to this refunding scenario, the interest rate is slightly higher at 5.90%.

LOCALITY INVOLVEMENT:

In addition to issuing the construction bond financing, the Manteca Redevelopment Agency will finance a loan in the amount of $2,593,742 at 1.0%for **55** years. The City with the San Joaquin County Community Development Department will provide **HOME** funds in the amount of **$295,614** at 3.0% for 55 years.

MARKET

A. Market Overview

The project is located in the City of Manteca in San Joaquin County at the northeast comer of Wawona Street and **S.** Union Road. Downtown Manteca is approximately one mile north. The neighborhood is defined by Yosemite Avenue to the north, Highway **120** to the south, the Manteca city limits to the west and Main Street to the east. The project is located in an area that is primarily residential.

Almost two-thirds of the city is designated for residential use. Approximately 75% of the housing in Manteca is single family; 22% is multifamily and 3% are mobile homes. Manteca has a Growth Management Program that limits residential growth to 3.9% of the housing stock per year. The City zoning ordinance provides for a density bonus of at least 25% for projects in all residential zoning districts if the project reserves at least **25%** of its units for low or moderating income households. The City has 25 acres of vacant multi-family designated land included in its 1,000 acres of vacant residential designated land. The City's general plan requires that an 80/20 ratio be maintained between new single family and multi-family residential development.

B. Market Demand

Eight market rate apartment projects with a total of **547** units, located in Manteca, Tracy and Stockton were reviewed. The vacancy rate among the market rate projects is 0.9%. This minimal vacancy rate reflects normal turnover with units pre-leased and vacant while management got the units ready for the new tenant.

The vacancy rate for three tax credit projects with a total of **193** units in Stockton and Tracy (there are no tax credit projects in Manteca) was 0%. The average waiting list for the three projects is 1 to 2 years.

C. Market Supply

The San Joaquin Council of Governments projects an increase of housing units in Manteca from 16,650 in 2000 to 21,089 in 2010. There is one proposed market rate apartment project with **15** units that is pending construction approval.

There has been no construction of low income or tax credit properties in Manteca within 20 years and there are no tax credit projects in Manteca. There is one proposed senior tax credit project proposed for 50 units in Manteca by the same sponsor, Eden Housing. The project has not yet received tax credits.

Market versus Restricted Rents

Unit Type	Subject:	Market Rent	Dif. Btwn. Mkt.	% Of Market
Two Bedroom		$800		
30%	$316		$484	40%
50%	$442		$358	55%
60%	$544		$256	68%
Market	$650		$150	81%

PROJECT DESCRIPTION:

ne and two story buildings.
ately 704 sq. ft. in size.
, laundry facilities and a
and the remaining ***20* are**
68 units are occupied.

REHABILITATION

Eden plans to rehabilitate the project in accordance with the physical needs assessment. The estimated cost of the rehabilitation is $3,430,873 (**$50,540** per unit. The rehabilitation work includes:

- New roofs
- New carports
- New fencing
- New Community Room
- New playground structure
- Repair balconies and install new railing
- New prefab metal stairs
- New kitchen counters, cabinets and sinks
- New appliances
- New bathrooms
- New **HVAC**
- New doors
- Asbestos and Mold abatement
- Paint interiors and exterior
- Water heater repairs

837

- GFCI at kitchens and baths

Since 25 units are vacant, those units will be rehabilitated first. Tenants will be moved into new units and the rehabilitation will continue in phases.

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (13) will be restricted to 50% or less of median income.
HOME:	4% of the units (3) will be restricted to 50% or less of median income.
MHP:	33% of the units (22) will be restricted to **30%** or less of state median income. 42% of the units (28) will be restricted to 50% or less of median income. 18% of the units (12) will be restricted to **60%** of less **of** median income.
TCAC:	30% of the units (20) will be restricted to 50% or less of median income. 63% of the units (42) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

A Phase I-Environmental Assessment Report was prepared by Rick Widebrook on October 20,2000. The report noted the presence of asbestos, lead-based paint and mold. An updated Phase I has been requested and has been ordered.

An Asbestos, Lead-Based Paint and Mold Survey Report was prepared by MECA Consulting, Inc. on April 30, 2000. Asbestos, lead-based paint and mold abatement procedures will be in place during the rehabilitation of the project. The lead-based paint and asbestos, not impacted during the rehabilitation will be monitored as part of the O & M plan currently being developed.

A Level 3 Seismic Risk Assessment Report was completed on May 7,2001. The damage ratio is within CHFA's acceptable standards.

The steel water pipes were reviewed and water samples taken by Kleinfelder on May 17, 2001. No adverse conditions were noted.

ARTICLE 34:

The Manteca Redevelopment Agency stated in a letter dated March 27, 2001 that the project is exempt from Article XXXIV.

DEVELOPMENT TEAM:

A. Borrower's profile

The owner is Union Court Limited Partnership, a California limited partnership, with Eden Housing, Inc. as the General Partner and Eden Investments, Inc. as the initial Limited Partner. Eden Investment Inc. will be replaced by the tax credit investor and will become the General Partner near the completion of construction.

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

Precision General Commercial Contractor, Inc. ("Precision") is the contractor that provided the bids for the rehabilitation work. Precision is a national construction company with offices in Texas, Missouri and California. They specialize in the construction and rehabilitation of apartment buildings, including affordable housing. They are the contractor on several other rehabilitation projects being considered by CHFA and on Playa del Alameda, a recently completed rehabilitation project in CHFA's portfolio.

C. Architect

Mogavero Notestine Associates is the architect. They specialize n full service architectural services and in affordable housing.

D. Management Agent

Management services for Union Court 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. Service coordination will be provided by Ec n Housing Resident Services, Inc..

Project Summary

839 **Bond Refunding** Date: 20-Aug-01

le:

Project :	Union Court Apts.	*Appraiser:*	Art Lombard, MAI
Location:	850-940 S. Union Rd.		Novogradac & Company
	Manteca	*Cap Rate:*	9.50%
County/Zip:	San Joaquin 95337	*As-Is Market V*	$ 2,250,000
Borrower:	Union Court Limited Partnership	*As-Rehabed M*	$ 4,800,000
GP:	Eden Housing, Inc.	*Final Value:*	$ 4,800,000
LP:	Eden Investments, Inc.		
		LTC/LTV:	
Program:	Tax Exempt	*Loan/Cost*	15.2%
CHFA # :	00-042-N	*Loan/Value*	27.0%

Project Description:

Units	68
Handicap Units	n/a
Bldge Type	Acq/Rehab
Buildings	7
Stories	2
Gross Sq Ft	47,872
Land Sq Ft	102,154
Units/Acre	29
Total Parking	90
Covered Parking	70

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$1,295,000	$19,044	5.90%	30
Manteca Redev. Agency	$2,593,742	$38,143	3.00%	55
Manteca HOME	$295,164	$4,341	3.00%	55
HCD/MHP	$1,681,338	$24,726	3.00%	55
Developer Equity	$0	$0		
Tax Credit Equity	$2,296,195	$33,768		
Deferred Developer Fee	$334,576	$4,920		
CHFA Bridge	$0	$0	0.00%	-
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2 BR	704	22	30%	$316	$20,220
2 BR	704	28	50%	$442	$33,700
2 BR	704	12	60%	$544	$40,440
2 BR	720	1	Mgr	$0	N/A
2 BR	704	5	Market	$650	$40,440
		68			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Loan Fee	2.00%	of Loan Amount	$25,900	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$12,950	Letter of Credit
Utility Stabilization Reserve	150.00%	of Utilities	$30,000	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$35,498	Letter of Credit
Annual Replacement Reserve Deposit	$235	Per Unit	$15,980	Operations
Initial Deposit to Repl. Reserve	$950	Initial Deposit	$64,600	Cash
Const. Defects Agreement	2.50%	12 mos. from perm	$80,014	Letter of Credit

Sources and Uses — Union Court Apts.

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA First Mortgage	1,295,000	19,044
CHFA Bridge	0	0
CHFA HAT	0	0
Manteca Redev. Agency	2,593,742	38,143
Manteca HOME	295,164	4,341
MHP	1,681,338	24,726
Total Institutional Financing	**5,865,244**	**86,254**
Equity Financing		
Tax Credits	2,296,195	**33,768**
Deferred Developer Equity	334,576	**4,920**
Total Equity Financing	**2,630,771**	**38,688**
TOTAL SOURCES	**8,496,015**	**124,941**

USES:

Acquisition	2,111,400	31,050
Rehabilitation	3,430,873	50,454
New Construction	0	0
Architectual Fees	144,618	2,127
Survey and Engineering	45,000	662
Const. Loan Interest & Fees	386,693	5,687
Permanent Financing	36,400	535
Legal Fees	50,000	735
Reserves	180,098	2,649
Contract Costs	26,000	382
Construction Contingency	516,129	7,590
Local Fees	68,000	1,000
TCAC/Other Costs	501,690	7,378
PROJECT COSTS	**7,496,901**	**110,249**
Developer Overhead/Profit	969,114	14,252
Consultant/Processing Agent	30,000	441
TOTAL USES	**8,496,015**	**124,941**

Annual Operating Budget — Union Court Apts.

		$ per unit
INCOME:		
Total Rental Income	349.272	5,136
Laundry	5.712	84
Other Income	0	
Commercial/Retail	0	
Gross Potential Income (GPI)	354,984	5,220
Less:		
Vacancy Loss	17,749	261
Total Net Revenue	337,235	4,959
EXPENSES:		
Payroll	59,762	879
Administrative	44.030	648
Utilities	32.000	471
Operating and Maintenance	31,670	466
Insurance and Business Taxes	21,065	310
Taxes and Assessments	10,062	148
Reserve for Replacement Deposits	15,980	235
Subtotal Operating Expenses	214,569	3,155
Financial Expenses		
Mortgage Payments (1st loan)	92.173	1,355
Total Financial	92,173	1,355
Total Project Expenses	306,742	4,511

C Flow Union Court Apts. CHFA # 00-04

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	NIA	NIA	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	349,272	358,004	366,954	376,128	385.531	395,169	405,048	415.175	425,554	436,193
TOTAL RENTAL INCOME	349,272	**358,004**	**366,954**	376,128	385,531	395,169	**405,048**	415,175	**425,554**	436,193
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	*2.50%*	2.50%
Laundry	5,712	5,855	6,001	6,151	6,305	*6.463*	6.624	6,790	6,960	7,134
Commercial	NIA	NIA	NIA	NIA	N/A	N/A	N/A	NIA	NIA	NIA
TOTAL OTHER INCOME	5,712	5,855	6,001	6,151	**6,305**	**6,463**	**6,624**	6,790	6,960	7,134
GROSS INCOME	**354,984**	363,859	**372,955**	**382,279**	391,836	401,632	**411,673**	**421,964**	432,514	**443,326**
Vacancy Rare : 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	17.749	18.193	18.648	19.114	19.592	20,082	20.584	21,098	21,626	22.166
EFFECTIVE GROSS INCOME	337,235	**345,666**	**354,307**	**363,165**	**372,244**	381,550	391,089	**400,866**	410,888	421,160
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	188,527	196,068	203,911	212.067	220,550	229,372	238,547	248.088	258.012	268.333
Replacement Reserve	15.980	15,980	15,980	15.980	15.980	16,779	16,779	16,779	16.779	16.779
Annual Tax Increase	*2.00%*	2.00%	*2.00%*	2.00%	2.00%	*2.00%*	2.00%	2.00%	*2.00%*	2.00%
Taxes and Assessments	3,000	**3,060**	3.121	3,184	3.247	3,312	3,378	**3,446**	3.515	3.585
MHP Fee	7.062	7,062	7,062	7,062	7,062	7,062	7.062	7.062	7.062	7.062
TOTAL EXPENSES	214,569	222,170	230,074	238,293	**246,839**	**256,525**	265,766	275,376	285,368	295,759
NET OPERATING INCOME	**122,666**	123,496	124,233	124,872	**125,405**	**125,025**	**125,323**	**125,491**	**125,520**	**125,401**
DEBT SERVICE										
CHFA - 1st Mortgage	92,173	92.173	92.173	92.173	92,173	92.173	92.173	92.173	92.173	92.173
CHFA - Bridge Loan	0	*0*	0	*0*	0					
CHFA - HAT Loan	0	0	0	*0*	0	0	*0*	0	0	0
CASH FLOW after debt service	30,493	31,322	**32,060**	**32,699**		**32,852**	33,149	33,317		**33,228**
DEBT COVERAGE RATIO	1.33	1.34	1.35	1.35	**1.36**	1.36	**1.36**	1.36	1.36	1.36

Page X

Cash Flow

843

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Rents	NIA	NIA	N/A	NIA	N/A	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%	2.50%
Affordable Rents	447.098	458,275	469.732	481,475	493.512	505,850	518.4%	531,459	544,745	558,364
TOTAL RENTAL INCOME	447,098	458,275	469,732	481,475	493,512	505,850	518,496	531,459	544,745	558,364
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	7,312	7,495	7.682	7.874	8,071	8,273	8,479	8,691	8.909	9.131
Commercial	N/A	NIA	NIA	N/A	N/A	N/A	N/A	N/A	N/A	NIA
TOTAL OTHER INCOME	7,312	7,495	7,682	7,874	8,071	8,273	8,479	8,691	8,909	9,131
GROSS INCOME	454,410	465,770	477,414	489,349	501,583	514,123	526,976	540,150	553,654	567,495
VacancyRate :Market	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
VacancyRate :Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.0096	5.00%
Less: Vacancy Loss	22,720	23.288	23.871	24.467	25.079	25,706	26.349	27,008	27,683	28.375
EFFECTIVE GROSS INCOME	431,689	442,481	453,543	464,882	476,504	488,417	500,627	513,143	525,971	539,121
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	279,066	290,228	301,838	313,911	326,468	339,526	353,107	367,232	381.921	397.198
Replacement Reserve	17,618	17.618	17,618	17.618	17.618	18.499	18.499	18.499	18,499	18.499
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.0096	2.00%	2.0096
Taxes and Assessments	3.657	3.730	3,805	3.881	3,958	4.038	4,118	4.201	4.285	4.370
MHP Fee	7,062	7.062	7,062	7.062	7.062	7.062	7.062	7.062	7,062	7.062
TOTAL EXPENSES	307,403	318,639	330,322	342,472	355,106	369,125	382,786	396,993	411,766	427,129
NET OPERATING INCOME	124,286	123,843	123,221	122,410	121,398	119,292	117,840	116,150	114,205	111,992
DEBT SERVICE										
CHFA - 1st Mortgage	92,173	92.193	92,173	92.173	92.173	92,173	92,173	92.173	92.173	92.173
CHFA - Bridge Loan										
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	32,113	31,669	31,048	30,237	29,225	27,118	25,667	23,976	22,031	19,818
DEBT COVERAGE RATIO	1.35	1.34	1.34	1.33	1.32	1.29	1.28	1.26	1.24	1.22

C Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Rents	NIA	N/A	N/A	NIA	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	572,323	586,631	601.297	616,329	631.737	647,531	663.719	680.312	697.320	714.753
TOTAL RENTAL INCOME	572,323	586,631	601,297	616,329	631,737	647,531	663,719	680,312	697,320	714,753
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	9,360	9.594	9.834	10.079	10,331	10,590	10,854	11,126	11,404	11.689
Commercial	N/A	NIA	NIA	NIA	NIA	N/A	NIA	N/A	NIA	NIA
TOTAL OTHER INCOME	9,360	9,594	9,834	10,079	10,331	10,590	10,854	11,126	11,404	11,689
GROSS INCOME	581,683	596,225	611,130	626,409	642,069	658,121	674,574	691,438	708,724	726,442
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	29,084	29,811	30.557	31.320	32.103	32,906	33,729	34,572	35,436	36,322
EFFECTIVE GROSS INCOME	552,599	566,413	580,574	595.088	609,965	625,214	640,845	656,866	673,288	690,120
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	413,086	429,609	446,793	464,665	483.252	502.582	522,685	543,592	565.336	587,950
Replacement Reserve	19.424	19.424	19,424	19.424	19.424	20,395	20,395	20.395	20.395	20.395
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	4,458	4.547	4.638	4,731	4,825	4.922	5,020	5,121	5,223	5.328
MHP Fee	7.062	7.062	7.062	7.062	7.062	7.062	7.062	7.062	7,062	7.062
TOTAL EXPENSES	444,029	460,642	477,917	495,882	514,563	534,961	555,162	576,170	598,016	620,734
NET OPERATING INCOME	108,569	105,772	102,657	99.207	95,403	90,254	85,683	80,696	75,271	69,386
DEBT SERVICE										
CHFA - **1st Mortgage**	92,173	92.173	92,173	92,173	92.173	92.173	92.173	92.173	92.173	92,173
CHFA - Bridge Loan										
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	16,396	13,598	10,483	7,033	3,229	(1,919)	(6,491)	(11,478)	(16,902)	(22,788)
DEBT COVERAGE RATIO	1.18	1.15	1.11	1.08	1.04	0.98	0.93	0.88	0.82	0.75

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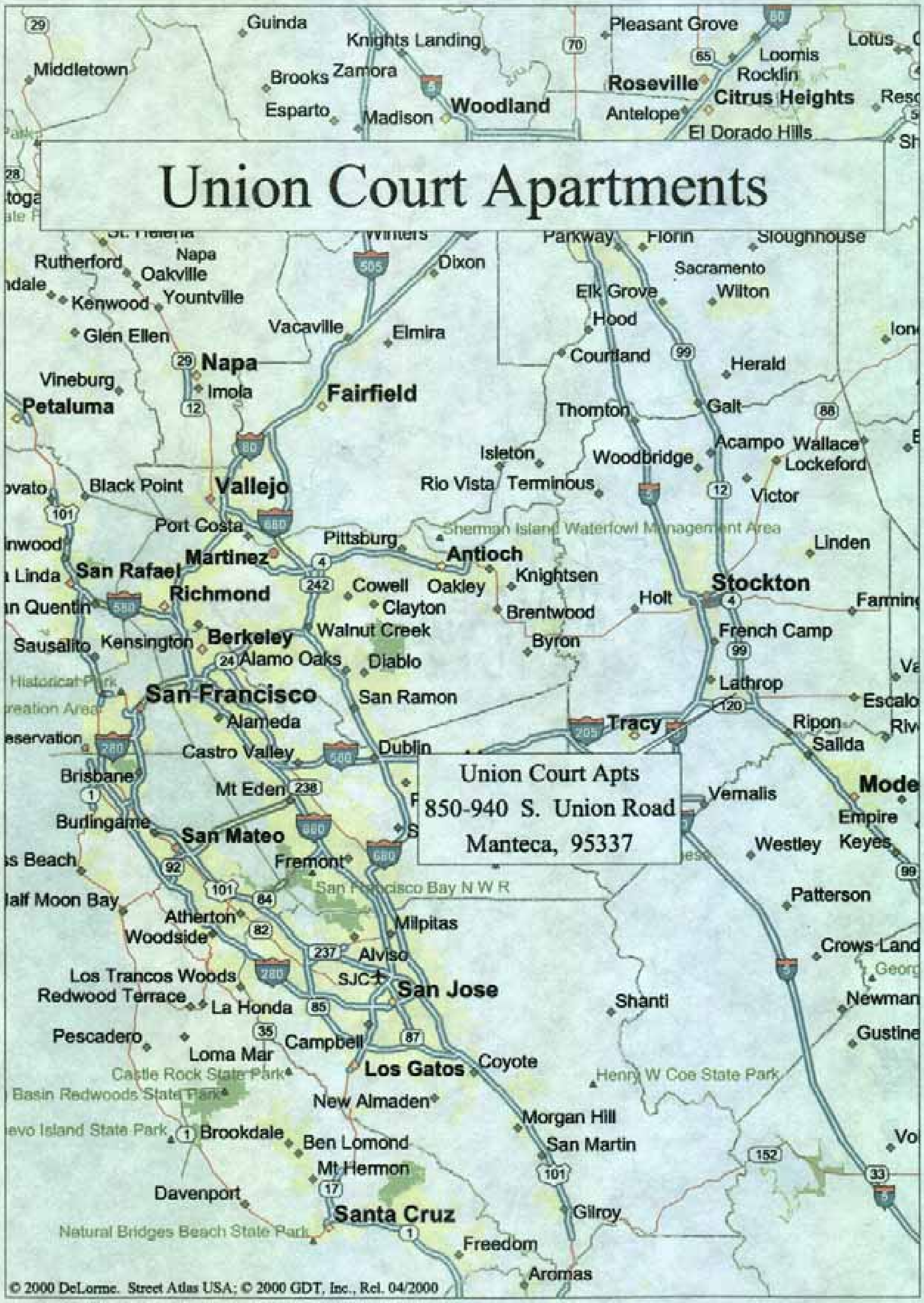
Union Court Apartments
Union Court Apts
850-940 S. Union Road
Manteca, 95337
Guinda
Knights Landing
Pleasant Grove
Lotus
Middletown
Brooks
Zamora
Loomis
Rocklin
Roseville
Citrus Heights
Esparto
Madison
Woodland
Antelope
El Dorado Hills
Rutherford
Napa
Oakville
Kenwood
Yountville
Dixon
Sloughhouse
Sacramento
Elk Grove
Wilton
Hood
Glen Ellen
Vacaville
Elmira
Napa
Courtland
Herald
Vineburg
Imola
Petaluma
Fairfield
Thornton
Galt
Acampo
Wallace
Lockeford
Isleton
Woodbridge
Black Point
Vallejo
Rio Vista
Terminous
Victor
Port Costa
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Sherman Island Waterfowl Management Area
Linden
Martinez
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San Rafael
Knightsen
Richmond
Cowell
Oakley
Holt
Stockton
Clayton
Brentwood
Sausalito
Kensington
Berkeley
Walnut Creek
French Camp
Byron
Alamo Oaks
Diablo
San Francisco
San Ramon
Lathrop
Alameda
Tracy
Ripon
Salida
Castro Valley
Dublin
Brisbane
Mt Eden
Vernalis
Empire
Burlingame
San Mateo
Westley
Keyes
Fremont
San Francisco Bay N W R
Patterson
Atherton
Milpitas
Woodside
Alviso
Crows Landing
Los Trancos Woods
SJC
San Jose
Redwood Terrace
La Honda
Shanti
Newman
Pescadero
Campbell
Gustine
Loma Mar
Los Gatos
Coyote
Castle Rock State Park
Henry W Coe State Park
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Aromas
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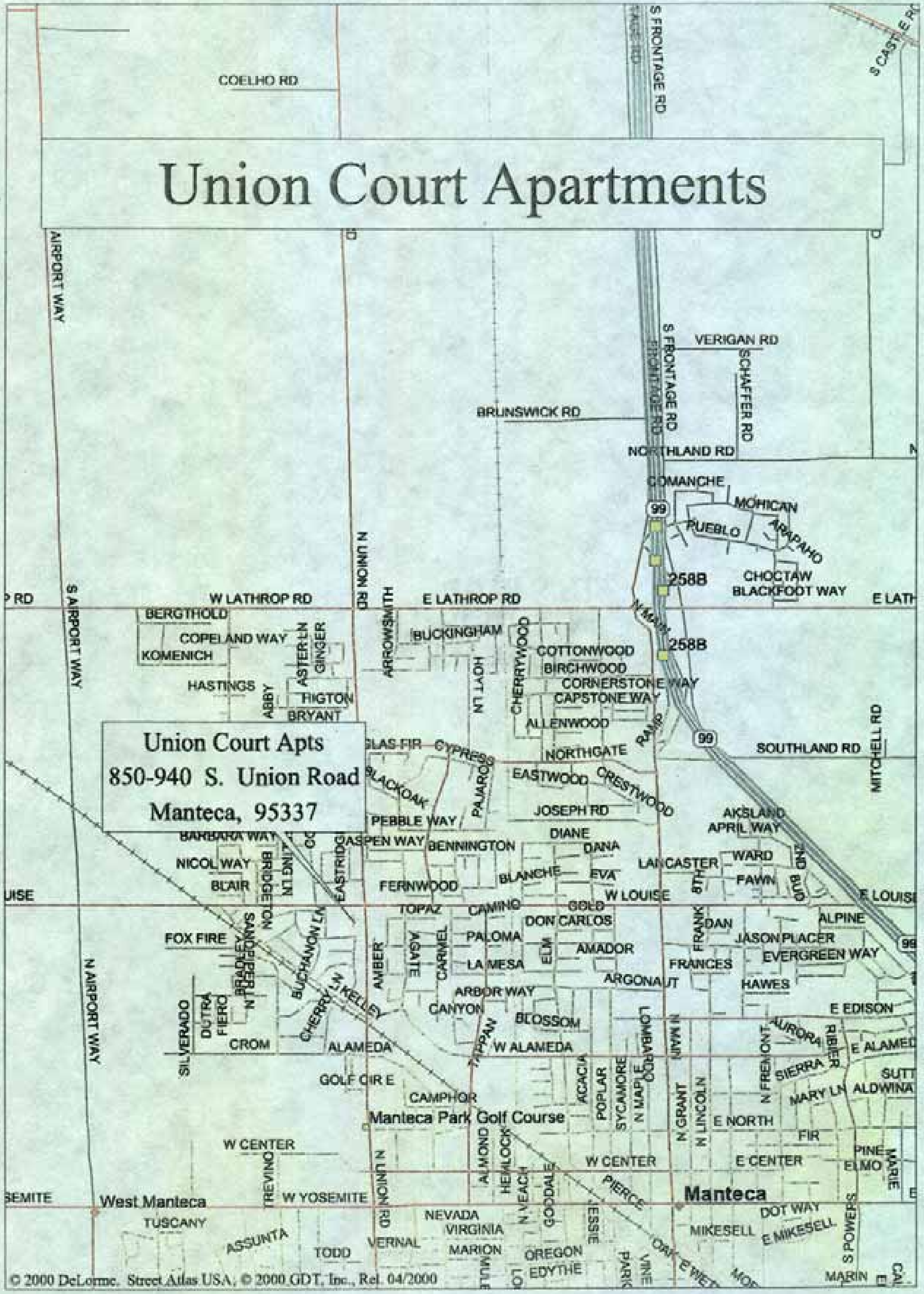
Union Court Apartments



RESOLUTION 01-29

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Eden Housing, Inc. on behalf of Union Court Limited Partnership, a California limited partnership (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 a mortgage loan for a 68-unit multifamily housing development located in the City of Manteca to be known as Union Court (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 20,2001 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on May 30,2001, 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 AMOUNT
00-042-N	Union Court Manteca/San Joaquin	68	$1,295,000

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

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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 **01-29** adopted at a duly constituted teleconference meeting of the Board of the Agency held on October **10,2001,** at Sacramento and Culver City, California.

ATTEST:____________
Secretary

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3 (REV. 8-72)

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I hereby certify that this is a true and correct copy of Resolution 01-29 adopted at a duly constituted meeting of the Board of the Agency held on September 13, 2001, at Burbank, California.

ATTEST:________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Delaware Place Apartments

CHFA Ln. # 00-033-N

SUMMARY:

This is a Final Commitment request for a first mortgage for 501(c)(3) bonds in the amount of $1,380,000 at 5.70%, amortized over thirty years. The project is Delaware Place Apartments, a 16-unit, family, acquisition/rehabilitation project located at 200 S. Delaware Street, San Mateo, in San Mateo County.

LOAN TERMS:

1st Mortgage Amount:	$1,380,000
Interest Rate:	5.70%
Term:	30 year fixed, fully amortized
Financing:	501(c)(3)

LOCALITY INVOLVEMENT:

The borrower has received $1,216,000 in HOME funds at 3.0% for fifty years from the City of San Mateo and the San Mateo City Redevelopment Agency. They have requested an additional $50,000 that is expected to be approved on September 4,2001.

PROJECT DESCRIPTION:

A. Site Design

The project is zoned Central Business District Support (CBDS). The existing 16 unit multi-family complex is a permitted use. Under current zoning regulations, 12 units could be constructed. The project is a legal, nonconforming use.

B. Project Description

The project is a three-story project in one building containing a total of 16-units constructed in 1961. The buildings are wood framed with wood and stucco exterior facade with a central asphalt driveway. Improvements include 8 tuck under parking places with gated access on the ground level, 8 garages without direct street access and a laundry room.

There are 4 studio units (517 sq. ft.); 4 one-bedroom, one bath units (687 sq. ft.) and 8 two-bedroom, one-bath units (900 sq. ft.).

C. Rehabilitation Work and Improvements

The estimated cost of rehabilitation is $470,811 or $29,425 per unit. The scope of all the rehabilitation work is based on the Physical Needs Assessment, on a seismic risk assessment and on code upgrades required by the local fire department. The rehabilitation work includes:

- Paint the exterior buildings
- Replace bathroom plumbing
- Seismic retrofit strengthening
- Subsurface drainage repair in parking lot
- New carpet and vinyl in most units
- New Interior doors
- Retrofit existing fire escape
- Replace Fire Alarm System, corridor lights and smoke alarms
- Re-carpet corridors
- Sheetrock repairs once bathroom plumbing is replaced
- Install 5/8"x rated drywall on to wall and ceiling for fire rating.
- Paint kitchen cabinets
- Fencing repairs and replace gates
- Improve exterior lighting
- Add GFCI outlets in units
- Dryrot repairs
- Asbestos abatement

D. Relocation

Some relocation occurred when the building was tented for termites and the tenants were temporarily relocated to a nearby hotel. One family was relocated when the project was purchased by the sponsor because the number of people in a unit exceed the bedroom sizes available. No other relocation is expected.

E. Project Location

The project is located in the heart of the City of San Mateo in an area of commercial and residential uses. El Camino Real, a major north-south boulevard that runs through several cities along the Peninsula is five blocks from the project. The project is on the southwest comer of South Delaware Street and 2nd Avenue. The immediate area is primarily multi-family and single family residential. The multi-family buildings are typically two to three stories high and on average 15 to 30 units, similar to this project. The single-family homes consist of Victorians built in early 1900 and ranch and bungalows style homes built between 1920 and 1950. The old downtown area of the City of San Mateo is two blocks south of the project.

Shopping and public transportation are located within walking distance. Outside the front door of the project is a bus stop and Caltrain is two blocks away.

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 the City of San Mateo from 92,300 to 96,600 (4.6%).

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 though the year 2010. The mean household income in San Mateo County for 2000 is estimated at $88,700. The unemployment rate in both San Mateo County and the City of San Mateo, as of July 1,2001 is 3.0%.

B. Market Demand

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.

Vacancy rates for the City of San Mateo are **2.8%** and **5.7%** for the County of San Mateo as of July **1, 2001.**

C. Housing Supply

The growth in multi-family housing stock in San Mateo County has generally been limited to renovations of existing apartment projects, with just a handful of new projects. The general plan for the City of San Mateo is to allow an increase in multi-family units from the existing **15,554** units to a maximum of **18,367** units **(18%)** by the year **2010.** There are three projects that have been approved, but have not yet been constructed and another two projects that are just beginning the application process with the city of San Mateo.

One of the three approved projects (Norfolk) has been converted from apartments into a condomium project. The two under construction are a **575** multi-family unit project (Jefferson Bay Meadows) with a daycare center two miles south of the project and a 44-unit affordable project (Willow Partners) one mile northwest of the project. The two projects being considered for approval are a 50 unit multi-family project (Crystal Springs) a half-mile from the project and a mixed-use project (Sargis-Regis Mixed Use) with **16** residential units on the fourth floor and three floors of office space located one mile from the project. Jefferson Bay Meadows is considered to far south of the project to have any impact and the Sargis-Regis project may be high-end apartment units and not competitive with the project. **A** total of **94** units are considered to be competitive with the project, a number will result in minimum impact to the project.

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:

The rents originally contemplated were lower than those reflected on the following page, Unfortunately, the cost of the rehabilitation work, coupled with the code upgrades required by the San Mateo fire department recently resulted in both higher rent levels than otherwise anticipated and an increase in the requested loan amount in HOME funds.

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

Rent Level	Subject Project	Mkt.Rate Avg.	Difference	% of Market
Studio		$900		
30%	$372		$528	41%
60%	$817		$83	91%
One Bedroom		$1,100		
50%	$696		$404	63%
65%	$915		$185	83%
75%	$1,054		$46	96%
Two Bedroom		$1,500		
30%	$450		$1,050	30%
75%	$1,096		$404	73%
85%	$1.335		$165	89%

B. Estimated Lease-Up Period

The project is fully occupied 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 (3) will be restricted to *50%* or less of median income.

City of San Mateo and **HOME:** 2 units will be restricted to 30% or less of median income, 2 units to 50% or less of median income, 5 units to 60% or less of median income, 7 units to 80% or less of median income.

ENVIRONMENTAL:

A Phase I-Environmental Assessment Report that included an asbestos and lead based paint analysis was completed in February 2000 by Phase One Inc. and updated on November 27, 2000. The initial report recommended a more comprehensive review for lead based paint, asbestos and lead in the drinking 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.

Preferred Associates, Asbestos & Lead Consulting prepared a report on March 21,2001 after sampling for asbestos. Asbestos was found in the Wallboard in one room tested. Asbestos removal is included as part of the scope of rehabilitation.

A seismic report was completed by URS on March 30,2001 and found that **the** project's damage ratio could 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 Housing Assistance for the Needy and Dispossessed, Inc., ("HAND") a nonprofit public benefit corporation. HAND was formed in *1992* to **own** and/or manage properties acquired by Human Investment Project, Inc. ("HIP Housing"). HAND owns and/or manages seven projects with a total of 91 units that include this project and **two** others in the CHFA portfolio: Hillside Terrace and Redwood **Oaks.**

B. Contractor

Precision General Commercial Contractors, Inc. ("Precision") is the contractor that provided **the** bids for the rehabilitation. 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 considered by CHFA and on Playa del Alameda a recently completed rehabilitation project in CHFA's portfolio.

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 she provides full service architectural services.

D. Management Agent

HIP manages all of the projects they develop.

Project Summary

Delaware Street Apts

Date: 20-Aug-01

Project Profile:

Project :	Delaware Street **Apts**	*Appraiser:*	Sally **Fraser, MAI**
Location:	200 Delaware St		Curtis. Rosenthal. LLC
	San Mateo	Cap *Rate:*	**7.00%**
County/Zip:	San Mateo 94401	*As-Is Value*	**$ 2,000,000**
Borrower:	HIP Inc .	*As-Repaid Value*	**$ 2,400,000**
GP:	Hsg Assoc for Needy	*Final Value:*	**$ 2.400.000**
LP:	TBD		
		LTC/LTV:	
Program:	**501(c)(3)**	*Loan/Cost*	52.2%
CHFA #	00-033-N	*Loan/Value*	57.5%

Project Description:

Units	16
Handicap Units	1
Bldg. Type	**Acq/Rehab**
Buildings	1
Stories	3
Gross *Sq Ft*	12.760
Land Sq Ft	**10,951**
Units/Acre	64
Total Parking	18
Covered Parking	10

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$1,380.000	$86,250	5.70%	30
City RDA	$1,266,000	$79,125	3.00%	50
Loan 4	$0	**$0**	0.00%	
Other Loans	$0	$0	0.00%	
AHP Funds	$0	**$0**	**0.00%**	
Borrowers Cash Contribution	**$0**	**$0**		
Other	$0	**$0**		
Tax Credit Equity	**$0**	**$0**		
CHFA Bridge	**$0**	**$0**	0.00%	
CHFA HAT	$0	$0	**0.00%**	

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	687	1	30%	$372	$20,400
2 BR	900	1	30%	$450	$22,950
1 BR	687	1	50%	$696	$29,750
0 BR	422	3	60%	$817	$32,725
1 BR	687	1	65%	$915	$32,725
2 BR	900	4	75%	$1,096	$40,800
1 BR	687	2	75%	$1,054	$35,700
2 BR	900	2	80%	$1,335	$40,800
2 BR	900	1	Manager	$1,335	Open
		16			

Fees, Escrows and Reserves:

Fees, Escrows & Reserves	Basis of Requirements		Amount	Security
Loan Fee	**2.00%**	**of** Loan Amount	$27,600	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$13,800	Letter **of** Credit
Utility Stabilization Reserve	150%	of Utilities	$7.707	Letter of Credit
Operating Expense Reserve	10%	of Gross Income	$18,553	Letter of Credit
Initial Replacement Reserve	$1,025	per Unit	$16,400	Cash
Annual Replacement Reserve	$360	per Unit	$5,760	Operations
Construction Defects Agreement	2.5%	Const Costs/12 months	$6,210	Letter of Credit

Sources and Uses

Delaware Street Apts

SOURCES:

Name of Lender/ Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	1,380,000	52.15%	108.15	86,250
CHFA HAT	0	0.00%		**0**
City RDA	1,266,000	47.85%	99.22	79,125
Loan 4	0	0.00%	-	0
Other Loans	0	0.00%		0
AHP Funds	0	0.00%		0
Total Institutional Financing	**2,646,000**	**100.00%**	**207.37**	**165,375**
Equity **Financing**				
Borrowers Cash Contribution	***0***	***0.00%***	-	***0***
Other				
Tax Credit Equity	**0**	**0.00%**		***0***
Total Equity **Financing**	**0**	**0.00%**	-	***0***
TOTAL SOURCES	**2,646,000**	**100.00%**	**207.37**	**165,375**

USES:

Acquisition	1,875,000	70.86%	146.94	117,188
Rehabilitation	470,811	17.79%	36.90	29,426
New Construction	0	0.00%		0
Architectual Fees	9,200	0.35%	0.72	**575**
Survey and Engineering	13,075	0.49%	1.02	817
Const. Loan Interest & Fees	21,535	0.81%	1.69	1,346
Permanent Financing Fees	40,900	1.55%	3.21	2,556
Legal Fees	2,000	0.08%	0.16	125
Reserves	42,660	1.61%	3.34	2,666
Contract Costs	15,569	0.59%	1.22	973
Construction Contingencies	31,350	1.18%	2.46	1,959
Local Fees	0	0.00%		0
TCAC/Other Costs	63,900	2.41%	5.01	3,994
PROJECT COSTS	**2,586,000**	**97.73%**	**202.66**	**161.625**
Developer Fee	60,000	2.27%	4.70	**3,750**
Project Administration	0	0.00%		**0**
Consultant/Processing Agent	**0**	**0.00%**		***0***
TOTAL USES	**2,646,000**	**100.00%**	**207.37**	**165,375**

Annual Operating Budget — Delaware Street Apts

		% of total	$ per unit
INCOME:			
Total Rental Income	184,572	99.5%	11,536
Laundry	960	0.5%	60
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	185,532	100.0%	11,596
Less:			
Vacancy Loss	9,277	5.0%	580
Total Net Revenue	176,255	95.0%	11,016
EXPENSES:			
Payroll	16,196	9.6%	1,012
Administrative	14,305	8.5%	894
Utilities	12,912	7.7%	807
Operating and Maintenance	10,949	6.5%	684
Insurance and Business Taxes	6,799	4.1%	425
Taxes and Assessments	4,811	2.9%	301
Reserve for Replacement Deposits	5,760	3.4%	360
Subtotal Operating Expenses	71,732	42.7%	4,483
Financial Expenses			
Mortgage Payments (1st loan)	96,114	57.3%	6,007
Total Financial	96,114	57.3%	6,007
Total Project Expenses	167,846	100.0%	10,490

Cash Flow Delaware Street Apts CHFA # 00-033-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	8.352	8,561	8,775	8,994	9,219	9,450	9,686	9,928	10,176	10.431
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	176,220	180,626	185,141	189.770	194,514	199,377	204,361	209,470	214,707	220,075
TOTAL RENTAL INCOME	184,572	189,186	193,916	198,764	203,733	208,826	214,047	219,398	224,883	230,505
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	960	984	1,009	1,034	1,060	1,086	1.113	1,141	1,170	1,199
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	960	984	1,009	1,034	1,060	1,086	1,113	1,141	1,170	1,199
GROSS INCOME	185,532	190,170	194,925	199,798	204,793	209,912	215,160	220,539	226,053	231,704
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	9,277	9,509	9.746	9,990	10,240	10.496	10,758	11,027	11,303	11,585
EFFECTIVE GROSS INCOME	176,255	180,662	185,178	189,808	194,553	199,417	204,402	209,512	214,750	220,119
OPERATING EXPENSES					5					10
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	61,161	63,607	66,152	68.798	71,550	74.412	77.388	80.483	83,703	87.051
Replacement Reserve	5.760	5,760	5,760	5,760	6,048	6.048	6.048	6,048	6,048	6,350
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	4.811	4.907	5,005	5,105	5.208	5,312	5.418	5,526	5,637	5,750
TOTAL EXPENSES	71.732	74,274	76,917	79,663	82,805	85.771	88,854	92,058	95,388	99.151
NET OPERATING INCOME	104,524	106,387	108,261	110,145	111,748	113,646	115,548	117,454	119,362	120.968
DEBT SERVICE										
CHFA - 1st Mortgage	96,114	96,114	96,114	96,114	96,114	96,114	96.114	98,114	96,114	96,114
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan	0	0	0	0	0					
CASH FLOW after *debt* servi	8,409	10373	12,147	14,030	15,634	17,531	19,434	21,340	23,248	24,854
DEBT COVERAGE RATIO	1.09	1.11	1.13	1.15	1.16	1.18	1.20	1.22	1.24	1.26

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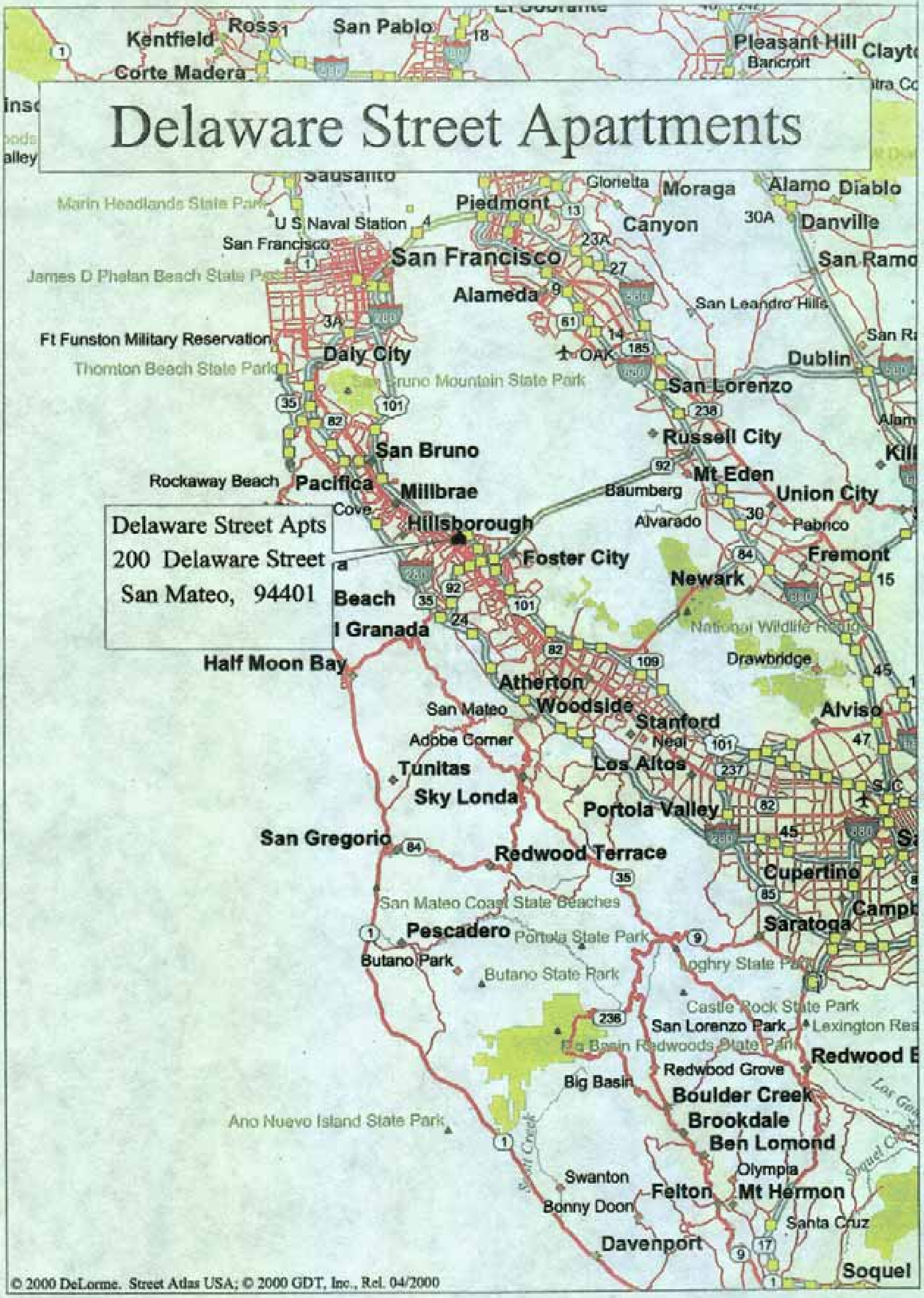
RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	10,691	10,959	11,233	11,513	11,801	12.096	12.399	12.709	13,026	13.352
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	225,576	231.216	236,996	242,921	248,994	255,219	261,600	268.140	274,843	281,714
TOTAL RENTAL INCOME	236,268	242,174	248,229	254,435	260,795	267,315	273,998	280,848	287,869	295,066
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	1,229	1,260	1,291	1,323	1,356	1,390	1,425	1,461	1,497	1.535
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	1,229	1,260	1,291	1,323	1,356	1,390	1,425	1,461	1,497	1.535
GROSS INCOME	237,497	243,434	249,520	255,758	262.152	268,706	275,423	282,309	289,367	296,601
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	11,875	12,172	12,476	12,788	13,108	13,435	13,771	14,115	14,468	14,830
EFFECTIVE GROSS INCOME	225,622	231,262	237,044	242,970	249,044	255,270	261,652	268,193	274,898	281,771
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	90,533	94,154	97.920	101,837	105,911	110,147	114,553	119,135	123,901	128,857
Replacement Reserve	6,350	6.350	6,350	6,350	6,668	6,668	6,668	6,668	6.668	7.001
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	5,865	5.982	6,102	6,224	6,348	6,475	6,604	6,737	6,871	7,009
TOTAL EXPENSES	102,748	106.487	110,372	144,411	118,927	123,290	127,826	132,540	137,440	142,867
NET OPERATING INCOME	122,874	124,776	126,672	128,559	130,118	131,980	133,827	135,654	137,458	138,904
DEBT SERVICE										
CHFA - **1st Mortgage**	96,114	96.114	96.114	96,114	96,114	96,114	96,114	96,114	96,114	96.114
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt servi	26,760	28,661	30,557	32,444	34,003	35,866	37,712	39,539	41,344	42,790
DEBT COVERAGE RATIO	1.28	1.30	1.32	1.34	1.35	1.37	1.39	1.41	1.43	1.45

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	13,686	14.028	14,379	14,738	15,106	15,484	15,871	16,268	16,675	17.092
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	288,757	295,976	303,375	310,960	316,734	326,702	334,870	343,241	351.822	360,618
TOTAL RENTAL INCOME	302,443	310,004	317,754	325,698	333,840	342,186	350,741	359,509	368,497	377,710
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	1,573	1,612	1,653	1,694	1.736	1.780	1.824	1,870	1,917	1,965
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	1,573	1,612	1,653	1,694	1,736	1,780	1,824	1,870	1,917	1,965
GROSS INCOME	304.016	311,616	319,407	327,392	335.577	343.966	352,565	361,379	370,414	379,674
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	15,201	15,581	15,970	16,370	16,779	17,198	17,628	18,069	18,521	18,984
EFFECTIVE GROSS INCOME	288,815	296,035	303,436	311,022	318,798	326,768	334,937	343,310	351.893	360,690
OPERATING EXPENSES					25					30
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	134.011	139,371	144,946	150,744	156,774	163.045	169,567	176.349	183.403	190.739
Replacement Reserve	7.001	7,001	7,001	7,001	7,351	7,351	7,351	7,351	7.351	7,719
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	7,149	7,292	7,438	7,506	7,738	7,893	8,051	8,212	8,376	8,544
TOTAL EXPENSES	148,161	153,665	159,385	165,332	171,863	178,289	184,969	191,912	199.131	207,002
NET OPERATING INCOME	140,654	142,371	144.051	145,690	146,934	148.479	149,968	151,398	152,762	153,688
DEBT SERVICE										
CHFA - 1st Mortgage	96,114	96,114	96,114	96,114	96.114	96,114	96,114	96,114	96,114	96,114
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt servi	44,540	46,257	47,937	49,576	50,820	52,364	53,854	55,284		57,574
DEBT COVERAOE RATIO	1.46	1.48	1.50	1.52	1.53	1.54	1.56	1.58	1.58	1.60


Delaware Street Apartments
Delaware Street Apts
200 Delaware Street
San Mateo, 94401
Kentfield
Ross
San Pablo
Corte Madera
Pleasant Hill
Bancroft
Sausalito
Marin Headlands State Park
U S Naval Station
San Francisco
Piedmont
Glorietta
Moraga
Canyon
Alamo
Diablo
Danville
San Ramon
James D Phelan Beach State Park
Alameda
San Leandro Hills
Ft Funston Military Reservation
Thornton Beach State Park
Daly City
San Bruno Mountain State Park
OAK
San Lorenzo
Dublin
Russell City
San Bruno
Mt Eden
Rockaway Beach
Pacifica
Millbrae
Baumberg
Union City
Cove
Hillsborough
Alvarado
Pabrico
Foster City
Fremont
Newark
Beach
Granada
National Wildlife Refuge
Half Moon Bay
Drawbridge
Atherton
San Mateo
Woodside
Stanford
Alviso
Adobe Corner
Neal
Tunitas
Los Altos
Sky Londa
Portola Valley
San Gregorio
Redwood Terrace
Cupertino
San Mateo Coast State Beaches
Saratoga
Pescadero
Portola State Park
Butano Park
Butano State Park
Castle Rock State Park
San Lorenzo Park
Lexington Res
Big Basin Redwoods State Park
Redwood Grove
Big Basin
Boulder Creek
Ano Nuevo Island State Park
Brookdale
Ben Lomond
Olympia
Swanton
Felton
Mt Hermon
Bonny Doon
Santa Cruz
Davenport
Soquel
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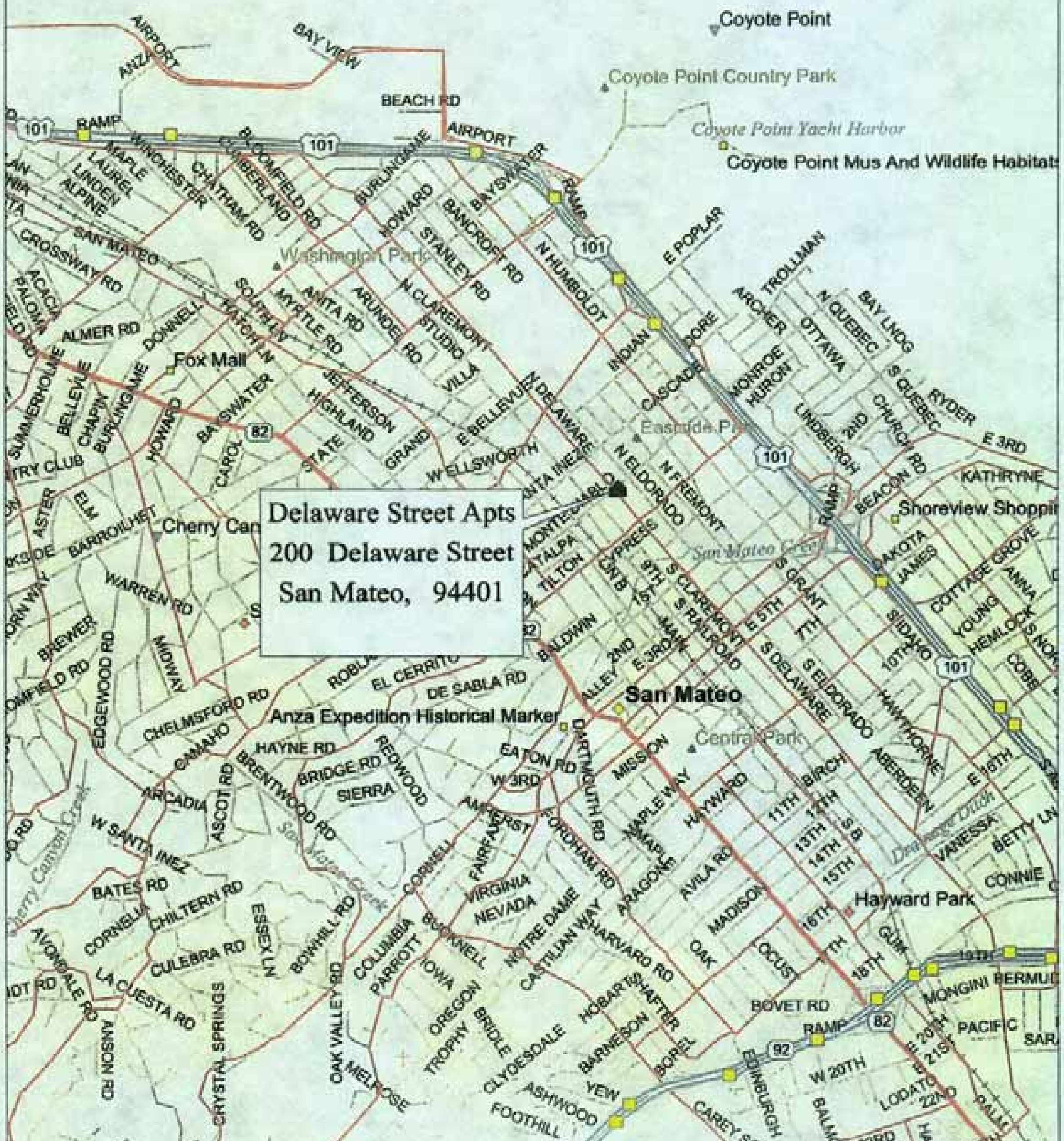
Delaware Street Apartments



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RESOLUTION 01-30

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Housing Assistance for the Needy and Dispossed, Inc. (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide mortgage loans for a 16-unit multifamily housing development located in the City of San Mateo to be known as Delaware Place (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 20, 2001 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on August 20, 2001, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
00-033-N	Delaware Place San Mateo/San Mateo	16	
		First Mortgage:	$1,380,000

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F CALIFORNIA
3 (REV. 8-72)

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 **01-30** adopted at a duly constituted meeting of the Board of the Agency held on September **13, 2001,** at Burbank, California.

ATTEST:_______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Life Services Alternatives

CHFA LN. # 01-027-N

SUMMARY:

This is a Final Commitment request for two loans; a first mortgage in the amount of **$2,500,00** at 1.00%, amortized over five years and a Loan to Lender loan in the amount of $2,500,000 at 1.00%, interest only, for **two** years. The project is Life Services Alternatives, which will provide fifteen **(15)** bedroom suites, located in three (3) single family homes, interwoven into a new 100 unit senior campus on the former Agnew Site at 810, 830 & **840** Agnew Road, in the City of Santa Clara, within the County of Santa Clara. This complex will serve adults with severe development disabilities **who** are relocating out of the private homes, state Hospitals, and private nursing facilities.

LOAN TERMS:

1st Mortgage Amount:	**$2,500,000**
Interest Rate:	**1.00%**
Term:	**5** year fixed, fully amortized
Financing:	Taxable
Loan to Lender Loan:	**$2,500,000**
Interest Rate:	**1.00%**
Term:	2 years, interest only
Financing:	Taxable

SPECIAL NEEDS LOAN TERMS :

The Agency's will make both a reduced rate Lender Loan to the construction lender, Union Bank of California, and a reduced rate permanent loan. The CHFA Lender **Loan** will be re-paid at permanent loan closing by the CHFA permanent loan. An interest rate subsidy of **$403,880** will be required to reduce the interest rate on both loans from 6.00% to 1.00 %. This loan affords the Agency an opportunity to utilize federal funding sources to deepen project affordability. The Agency may decide to use tax-exempt instead of taxable financing for these loans.

LOCALITY INVOLVEMENT:

In July 2001, the Redevelopment Agency of the City of Santa Clara ("RDA") loaned the project $1,246,000. Of this amount, $741,207 was used to finance the acquisition of the property. The remaining balance of $504,793 will be advanced to the project at construction loan closing, which is anticipated to be in October 2001. The RDA loan has a term of 30 years. It will be interest free and deferred for the first 6 years, or until the CHFA debt is retired. Once the CHFA debt is retired, the RDA loan will amortize over the remainder of the term, at an interest rate of 2%.

The project received a $150,000 grant from State of California Department of Developmental Services ("DDS").

In August 2001, DDS amended their contract with the San Andreas Regional ("SARC") to provide for the funding of this project. The amendment authorizes SARC to use funds allocated to through its annual budget process for six years, starting in 2001-2002 through 2006-2007, at the rate of $675,000 per year, for project reserves, operating support and CHFA's debt service for this project.

The first payment of $675,000 will be used for operating and debt service reserve, and will be held for the term of the permanent loan, by CHFA, to insure the continuity of funding for the development from DDSISARC. This reserve, if not drawn down, will be released to the DDS/SARC in lieu of the sixth and final payment of $675,000, due in July 2006. The interest from this reserve will belong to the development, and held by CHFA as an operating reserve. It will be released to the project when the CHFA debt is retired. The remaining five payments will be due on approximately July 1 of years 2002 through 2006 and will be used to service the CHFA debt and for basic operating expenses for the project.

The DDS contract amendment is subject to annual appropriations. CHFA's obligation to fund the permanent loan will be conditioned upon CHFA receiving the $675,000 reserve payment at Construction Loan Closing and the 2002-2003 payment at permanent loan closing.

The San Andreas Regional Center (SARC) has agreed to enter into a contract with the Borrower, which mirrors the contract amendment between the SARC and DDS. As an additional security for CHFA, and the Borrower, the SARC has agreed to make the annual $675,000 payments their first budget priority until the CHFA debt is retired.

Additionally, the SARC has agreed to enter into a contract with the borrower to fund the annual supportive service budget for the development. These services will be funded on an annual basis. During the term of the CHFA loan, SARC will receive approximately $115,000/resident/year from DDS and Medicade for services.

SPECIAL NEEDS PROGRAM:

All residents will be severely disabled adults who require 24-hour attendant care to live in a home environment. All of the residents will be moving out of their family's homes, nursing care facilities and the state development centers. The project is designed to maximize the opportunity for community integration and normal home life for severely developmentally disabled adults within the context of a totally supportive health services environment. The facility will be licensed. The borrower is in the process of selecting a service operator and final selection will be made prior to permanent loan closing. A full range of high quality services will be available to each resident. Services to be provided include:

- An assessment will be made of each resident's capacity to communicate and respond to typical home activities.
- A program will be designed for each resident that allows him or her to participate maximally in activities that are routine for adults living in home settings.
- Programmed activities will be designed for each resident which balance work, play and rest at a pace of appropriate to the individual. Recreational and occupational therapists will be available to plan and supervise activities.
- There will be a mix of nursing personnel, psychologists and direct care staff. Staffing rations will average two staff for each resident, with exceptions depending on individual needs.
- Each group home will be staffed on a 24-hour basis.
- Staff training and monitoring will be ongoing. Consultants will be available to train staff in state of the art health care techniques to insure quality, uniform health services.
- Staff will be chosen based upon temperament and trained in patience and empathy. They will be retained based upon diligence in carrying out program activities. Monitoring will be on an outcome basis.
- Nursing and licensed vocational nursing services will be available 24 hours a day.

PROJECT DESCRIPTION:

A. Project Site

The site is located along the westerly line of Agnew Road approximately 510 feet north of the intersection of Montague Expressway in the City of Santa Clara. It is currently undeveloped land. The site was recently rezoned PD-MC (Planned Development-master Community). The project has received all entitlements required under current zoning,

The subject development is part of a new mixed-use community formerly named "Rivermark" under development in the City of Santa Clara. Rivermark will be built on approximately 214 acres and will include up to 3,020 single-family and multi-family residential dwelling units, up to 240,000 square feet*ofcommercial uses, 114,000 square feet of research and development uses and a hotel with up to 150 rooms. In addition, the project provides for new public facilities including a K-8 grade school, Public Park, library, fire station, police substation and electric substation for the City owned electric utility. Rivermark Properties LLC, the developer of this master community planned development is composed of three of the most experienced and well-respected developers in the industry, Centex Homes, Shea Homes and Lannar Communities.

The Housing Authority of Santa Clara County is building two new affordable apartment developments on two separate parcels within Rivermark, 100 affordable apartments for seniors, and the Life Services Alternatives Project ("LSA"). The LSA buildings will be located on their own parcels separate from the senior housing project, but adjacent to and woven within the senior apartment community. The Life Services Alternatives Project will share the common open space and will be a part of the daily rhythm of the senior apartment complex.

The LSA/senior property is strategically located within the Rivermark development to be near many of the essential services that will be important in the lives of our future LSA residents. The new fire station will be located on a site that is north of and directly adjacent to the senior/LSA site. This is very important when and if the need arises for response by an emergency service team. This site is directly across the street from the proposed commercial development, which will include a grocery store, pharmacy, and all of the other minor support services found in a typical neighborhood-shopping district. Access to public transportation will be located adjacent to the development on Agnews Road.

B. Project Description

The project is three identical, 3,800 square foot, one-story, single-homes. Within each home there will be 5 separate bedrooms and 4 bathrooms. The shared common areas within the home will include two large all-purpose rooms, kitchen, parlor, and laundry. An office will be provided for staff and as well as plenty of storage space *to* allow equipment and conveyances to be stored out of site when not in use. There will be an abundance of natural light provided through the use of large windows and a clerestory above the central rooms. Specialize amenities to address the potential medical needs of the residents will include installing central systems for suction and oxygen in the walls, specialized bathing/showering and toilet facilities and a special area set aside for wheel chairs to be cleaned, and batteries to be recharged. The large screened porch allows for residents to enjoy the beauty and fresh air outdoors while still being in the semi-protected environment of the home. The homes are located around the large landscaped areas in the senior campus, that can be enjoyed by the residents, as well to provide the opportunity for the residents within these homes to be a part of the larger community.

C. Relocation

None required.

MARKET:

A. Market Overview

The site is located in the county of Santa Clara, one of nine counties in the greater San Francisco Bay area. Santa Clara has been characterized by rapid population growth over the past several decades. Population has grown from 642,300 in 1960, to 1,755,399 in 2000. While growth slowed in the 1990's to 1.8% a year, San Jose is currently the fastest growing of the ten largest cities in California.

The area is an internationally recognized center of research, and development of electronics, computers and high-tech industries. High technology design and manufacturing with a well-educated employment base fuel employment in Santa Clara County. This employment base has translated into low unemployment rates. The unemployment rate was 1.7% in September 2000. The recent decline of dot.com companies has pushed the employment rate over 2%, still well below national levels. Mean household income in the year 2000 was $86,300, second only to Marin and San Mateo Counties, with $100,600 and $88,700 respectively.

Economic growth has brought high housing costs and rapid price inflation. The median house price in Santa Clara County in 2000 was $505,000, which compares to $413,000 in 1999 and $233,000 in 1990. The Santa Clara housing market is characterized by the lack of supply of low income and moderate-income housing. This, along with the limited supply of residential land in general is a continuing problem for the area.

The economic slowdown in 2001, together with concerns about the viability of many "dot.com" companies, is impacting the Santa Clara commercial and single-family residential real estate markets. However, the impact on residential rental rates, are not anticipated to be severe, given the limited supply residential building opportunities in the county.

B. Sub Market Overview

The primary market area for the project is Santa Clara City. The subject property is well located in a developing neighborhood. The neighborhood has good transportation linkages to the South Bay and Peninsula as well as the greater Bay Area and is convenient to major employment areas. Residential support services such as schools, recreational areas and shopping are considered average but are anticipated to improve significantly as the Agnew site is developed. The Santa Clara real estate investment market for multi-family properties has improved significantly over the last three years with significant increases in rent levels and a significant drop in vacancy rates. As a consequence, new apartment construction cycle in neighboring communities as well as within Santa Clara is underway.

C. Market Demand

In 2000, the vacancy rate fell below .5% while rental rates increased 27.4% in Santa Clara County and 31.3% in the City of Santa Clara. The increase was highest for studios, which increase 80% in that time period. The average rental rate in 2000 was $1,972. In newer apartment complexes one-bedroom units currently rent for $2000 and three bedroom/two bath units rent for $3,800.

D. Special Needs Housing Demand

The City of Santa Clara Consolidated Plan for the years 2000-2005 estimates that there are currently 6,467 persons in Santa Clara County who suffered from a disability that impacts their prospects for gainful employment. 92% of disabled make less that *50%* of the area median income. The plan estimates that there are 1,962 non-seniors with disabilities who cannot find adequate affordable housing.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Restricted Rent	SSI Rent Payment	HUD Fair Market Rent.	Market Rent for Santa Clara	Difference Restricted Rent & Market Rent	% Of Market
Studio						
50%	$764	$872	$1092	$1,354-2,000	$590	56%

The residents will be SSI recipients. The residents will typically have incomes at or below 20% of the Area Median Income. SSI will pay $872/month/resident. The SSI payment will be made to the project by the San Andreas Regional Center.

The San Andreas Regional Center will receive approximately $160,000 per resident annually for the State of California general fund, and Medicaid funds. During the term of the CHFA loan up to $45,000/year/resident will be applied to housing costs, and the remainder will be applied to services.

B. Estimated Lease-Up Period

The San Andreas Regional Center has identified several-hundred severely developmentally disabled people in Santa Clara County in need of special needs housing of the type being developed in the subject property. The bedrooms will be leased as soon as they are available.

OCCUPANCY RESTRICTIONS:

CHFA: 100%of the bedrooms (15) will be restricted to single adults earning 50% or less of median income. CHFA will also require that 100% of the bedrooms (15) be rented to adults with developmental disabilities for a period of 10 years.

RDA: 100% of the bedrooms (15) will be restricted to single adults earning 50% or less of the area median income.

ENVIRONMENTAL:

Krazan & Associates, Inc., of San Jose completed a Phase I Environmental Site Assessment in July 2001. Soil borings were conducted as part of the Phase I report and possible residual petroleum hydrocarbons were identified in the soil adjacent two former bunker oil underground storage tanks. The former owner, the State of California, removed the tanks as part of a supervised site clean up in 1987. The report determined that the petroleum hydrocarbon concentrations were low and below action levels of all appropriate monitoring agencies. Additionally, the Santa Clara Valley Water District granted closure for both sites in September 2000. No further action is recommended.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

The Borrower is Bracher HCD, a non-profit affiliate of the Housing Authority of Santa Clara and the Housing Choices Coalition. The two groups have been working together for three years to develop this project. The Housing Authority holds three of the five seats on Bracher HCD's board of directors, and the Housing Choices Coalition holds the remaining two seats.

The Housing Authority of Santa Clara County is an experienced housing developer and property manager. They have developed 2,230 units of affordable housing in 23 developments since 1980 and manage all of the units through two management affiliates. The Housing Authority has received a "strong" ranking from Standard and Poors based

on their "strong property development, excellent asset-management performance, very strong reserve position, strong housing stock and excellent budgeting practice".
Housing Choices Coalition is a non-profit corporation comprised of advocates and service providers for the developmentally disabled.

B. Contractor

Barry Swenson Builder, of San Jose, will be the contractor. Formed in 1961, Barry Swenson Builder is a large general contracting firm with extensive experience in multi-family residential developments and affordable housing projects. They have also been selected as the general contractor for John Burns Gardens, the 100 unit senior complex, as well as a family development, River Town Apartments, also located in Rivermark.

C. Architect

Kodama Diseno Architects and Planners is the architect for both the Life Services Alternatives Project and John Burns Gardens. Kodama Diseno has extensive experience in the design of housing for people with special needs including persons with physical and developmental disabilities, In addition, George Braddock of Creative Housing Solutions in Eugene Oregon, a specialist in the design and construction of housing for persons with disabilities was retained by the State of California to provide specialized technical assistance to the design team.

D. Management Agent

Property management services including the maintenance of the building, unit leasing, tenant rent collection, and asset management will be by Property Management Inc., corporate affiliate of the Housing Authority of the County of Santa Clara.

Property Management Inc. is currently managing over two thousand below market rate housing units for owners affiliated with the Housing Authority and non-affiliated owners of complexes.

E. Service Provider

The Santa Clara Housing Authority, Housing Choices Coalition and San Andreas Regional Center will select the service provider for the LSA complex prior to permanent loan closing. The service provider would be responsible for obtaining the necessary licensing from California Department of House Services, staffing, and providing services for the residents.

Project Summary

Date: 20-Aug-01

Project Profile:

Project: Life Services Alternatives
Location: 810,830 & 840 Agnew Road, Santa Clara
County/Zip: Santa Clara 95054
Borrower: Bracher HDC, Inc.
GP: NA
LP: NA

Program: Special Needs
CHFA #:

Appraiser: Matt Steinle, Santa Clara Housing Authority
Cap Rate: 8.00%
Market: $ 2,806,000
income: $ 3,090,000
Final Value: $ 3,090,000

LTC/LTV:
Loan/Cost 55.0%
Loan/Value 80.9%

Project Description:

Units	15
Handicap Units	15
Bldge Type	New Const
Buildings	3
Stories	1
Gross Sq Ft	10,484
Land Sq Ft	34,472
Units/Acre	19
Total Parking	42
Covered Parking	0
Special Needs Units	15

Financing Summary:

	Amount	Unit	Rate	Term
CHFA First Mortgage	$2,500,000	$166,667	1.00%	5
Santa Clara RDA	$1,285,421	$85,695	3.00%	30
Regional Center/DDS Reserve	$675,000	$45.000	0.00%	5
~~State DDS~~	~~$150,000~~	~~$10,000~~		
CHFA Loan to Lender	$2,500,000	$166,667	1.00%	1.5

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	300	15	50%	$764	$21,385
		15			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$25,000	Cash
Loan to Lender Fee	1.00%	of Loan Amount	$25,000	Cash or LOC
Rent Up Account	NA	of Gross Income	$0	NA
Operating Expense Reserve	1 year	Oper & Debt Servic	$675.000	Cash
Marketing	NA	of Gross Income	$0	NA
Annual Replacement Reserve Deposit	0.60%	of Hard Costs	$12,011	Operations

Sources and Uses

Life Services Alternatives

SOURCES:

Name of Lender/ Source	Amount	% of total	$ per sq ft	$per unit
CHFA First Mortgage	2,500,000	55.0%	238.46	166,667
Santa Clara RDA	1,219,156	26.8%	116.29	81,277
Total Institutional Financing	3,719,156	81.8%	354.75	247,944
Equity Financing				
State DDS	150,000	3.3%	14.31	10,000
Regional Center/DDS Reserve	675,000	14.9%	64.38	45,000
Total **Equity** Financing	825,000	18.2%	78.69	55,000
TOTAL SOURCES	4,544,156	100.0%	433.44	302,944

USES:

Acquisition	774,937	17.1%	73.92	51,662
Rehabilitation	0	0.0%		0
New Construction	2,001,789	44.1%	190.94	133,453
Architectual Fees	190,000	4.2%	18.12	12,667
Survey and Engineering	15,000	0.3%	1.43	1,000
Const. Loan Interest & Fees	131,671	2.9%	12.56	8,778
Permanent Financing	51,329	1.1%	4.90	3,422
Legal Fees	60,000	1.3%	5.72	4,000
Reserves	675,000	14.9%	64.38	45,000
Contract Costs	10,000	0.2%	0.95	667
Construction Contingency	429,718	9.5%	40.99	28,648
Local Fees	78,000	1.7%	7.44	5,200
Other Costs	126,712	2.8%	12.09	8.447
PROJECT COSTS	4,544,156	100.0%	433.44	302,944
Developer Overhead/Profit	0	*0.0%*		0
Consultants	0	*0.0%*		0
TOTAL USES	4,544,156	100.0%	433.44	302,944

Annual Operating Budget

Life Services Alternatives

	% of total	$ per unit

INCOME:

	Rental	Percent	Per Unit
Total Rental Income	137,475	16.9%	9,165
Laundry	*0*	*0.0%*	-
Regional Center Contract	675,000	83.1%	45,000
Regional Center Services Budget	TBD		
Gross Potential Income (GPI)	812,475	100.0%	54,165
Less:			
Vacancy Loss	13,740	1.7%	917
Total Net Revenue	798,728	98.3%	53,249

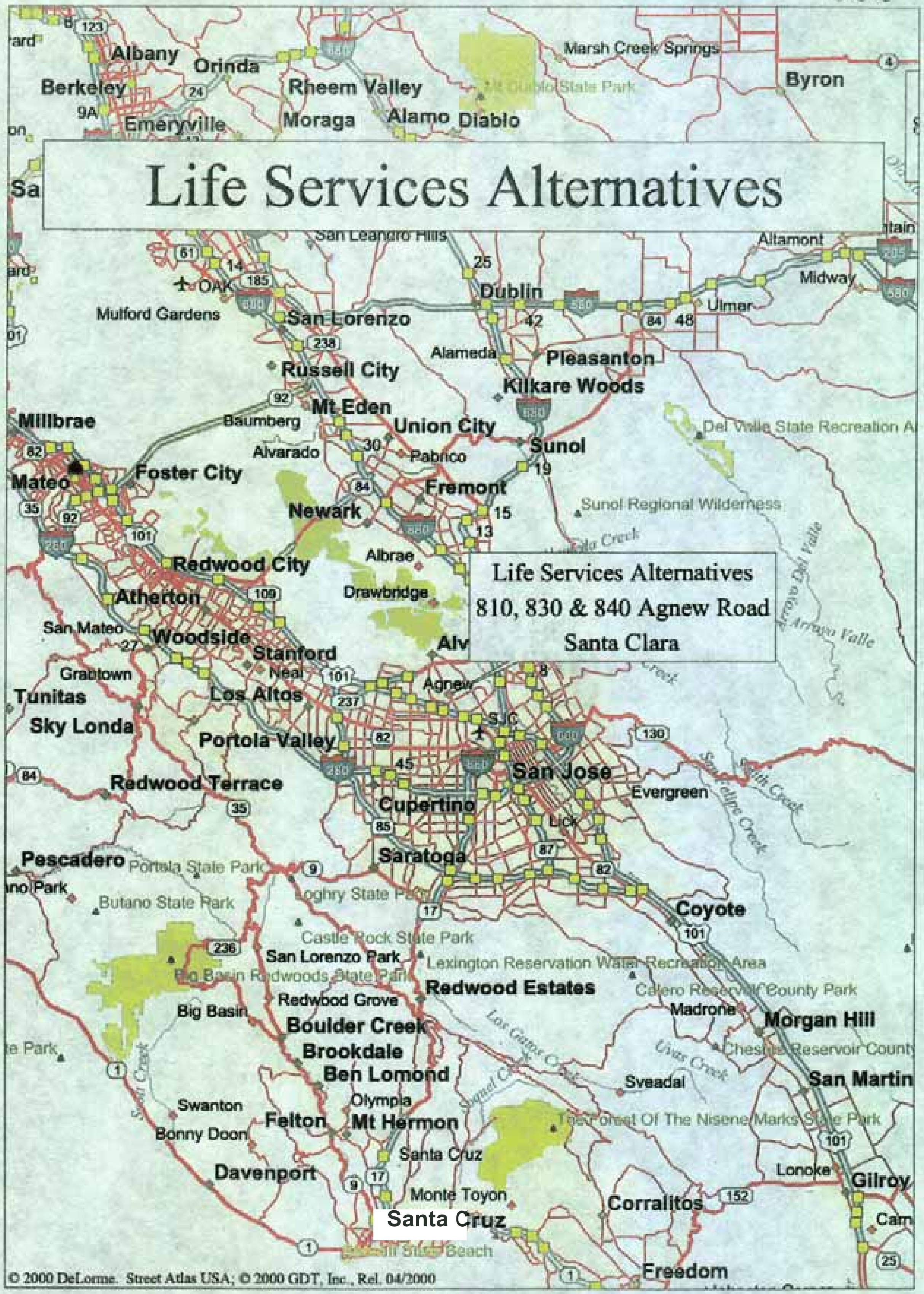
EXPENSES:

	Rental	Percent	Per Unit
Payroll	45,800	6.8%	3,053
Administrative	26,190	3.9%	1,746
Utilities	34,000	5.0%	2,267
Operating and Maintenance	30,038	4.4%	2,003
Insurance and Business Taxes	15,765	2.3%	1,051
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	12,011	1.8%	801
Subtotal Operating Expenses	163,803	24.2%	10,920
Financial Expenses			
Mortgage Payments (1st loan)	512,812	75.8%	34,187
Total Financial	512,812	75.8%	34,187
Total Project Expenses	676,616	100.0%	45,108

881

Cash Flow — Life Services Alterna CHFA # 01-027-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5
Regional Center Subsidy	0.00%	0.00%	0.00%	0.00%	0.00%
Regional Center Subsidy	675.000	675,000	675,000	675,000	675,000
Affordable Rent Increase	1.00%	1.00%	t.00%	1.00%	1.00%
Affordable Rents	137,475	138.850	140,238	141,641	143,057
TOTAL RENTAL INCOME	012,475	813,850	815,238	816,641	818,057
OTHER INCOME					
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%
Laundry	NIA	N/A	N/A	NIA	N/A
Other Income	NIA	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	0	0	0	0	0
GROSS INCOME	811,475	813,850	815,238	816,641	818,057
Vacancy Rate :Rental Income	10.00%	10.00%	10.00%	10.00%	10.00%
Vacancy Rate :Other Income	0.00%	0.00%	0.00%	0.00%	0.00%
Less: Vacancy Loss	13.748	13.885	14.024	14.164	14.306
EFFECTIVE GROSS INCOME	798,728	799,965	801.214	802,477	803,751
OPERATING EXPENSES					
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	151.793	157,864	164.179	170,746	177,576
Replacement Reserve	12,011	12,011	12,011	12,011	12,011
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0
TOTAL EXPENSES	163,803	169,875	176,190	182,757	189,587
NET OPERATING INCOME	634,924	630,090	625,025	619,720	614,165
DEBT SERVICE					
CHFA - 1st Mortgage	512,812	512,812	512,812	512,812	512,812
CASH FLOW after debt service	122,112	117,277	112,212	106,907	101,352
DEBT COVERAQC RATIO	1.24	1.23	1.22	1.21	1.20


Life Services Alternatives
Life Services Alternatives
810, 830 & 840 Agnew Road
Santa Clara
Albany
Orinda
Berkeley
Rheem Valley
Emeryville
Moraga
Alamo
Diablo
Marsh Creek Springs
Byron
San Leandro Hills
Altamont
Midway
Dublin
Ulmer
Mulford Gardens
San Lorenzo
Alameda
Pleasanton
Russell City
Kilkare Woods
Mt Eden
Millbrae
Baumberg
Union City
Alvarado
Pabrico
Sunol
Foster City
Fremont
Newark
Sunol Regional Wilderness
Redwood City
Albrae
Atherton
Drawbridge
San Mateo
Woodside
Stanford
Grabtown
Neal
Agnew
Tunitas
Los Altos
Sky Londa
Portola Valley
San Jose
Redwood Terrace
Evergreen
Cupertino
Lick
Saratoga
Pescadero
Butano State Park
Coyote
Castle Rock State Park
San Lorenzo Park
Lexington Reservation Water Recreation Area
Redwood Estates
Redwood Grove
Madrone
Big Basin
Boulder Creek
Morgan Hill
Brookdale
Ben Lomond
San Martin
Olympia
Sveadal
Swanton
Felton
Mt Hermon
Bonny Doon
Santa Cruz
Lonoke
Davenport
Gilroy
Monte Toyon
Corralitos
Santa Cruz
Freedom
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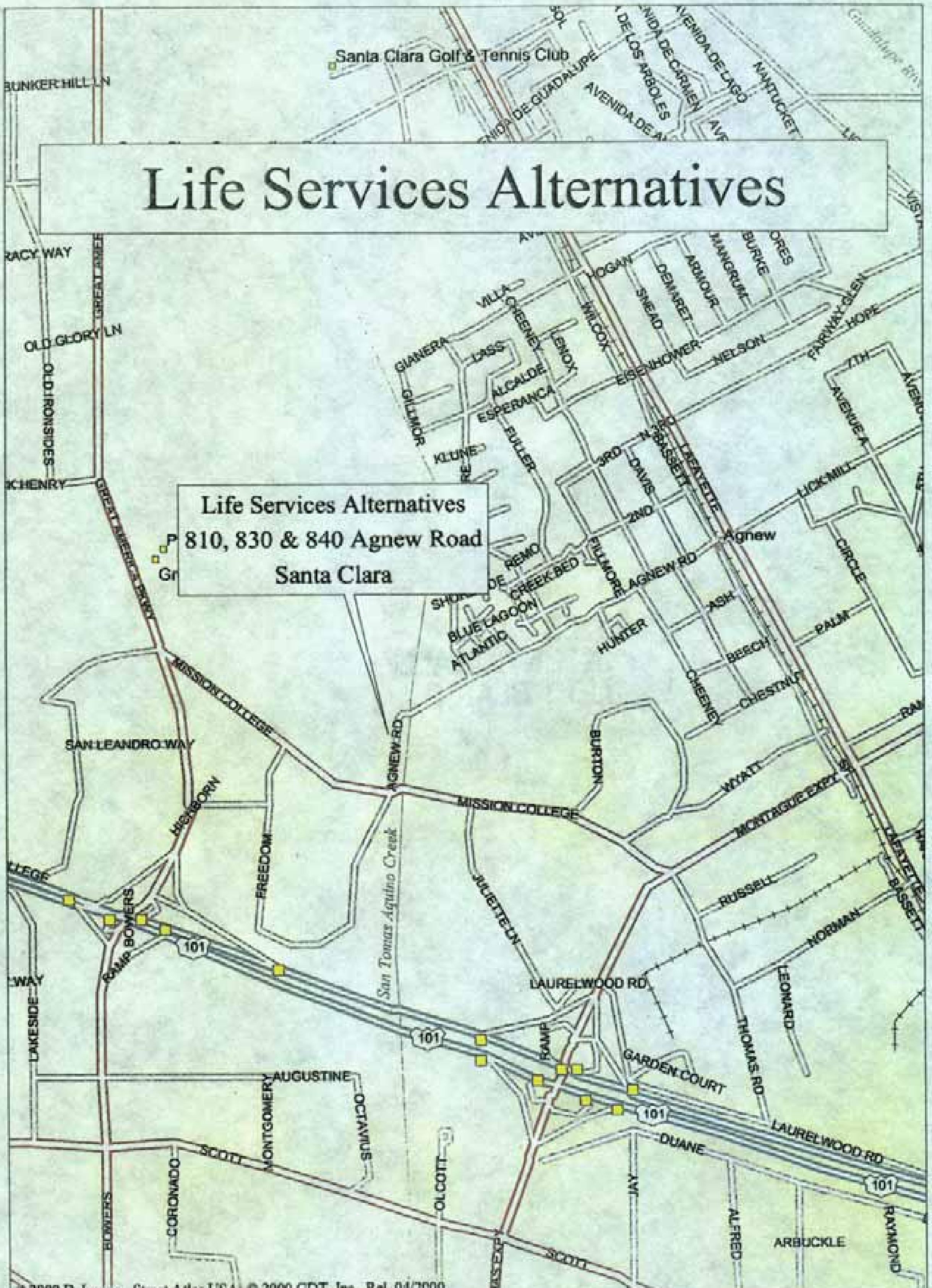
Life Services Alternatives



RESOLUTION 01-31

RESOLUTION AUTHORIZING A FINAL
LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") previously received a loan application from The Housing Authority of Santa Clara, (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program, the proceeds of which were to be used to provide a mortgage loan for a development to be known as Life Services Alternatives (the "Development"); and

WHEREAS, the Agency Board of Directors (the "Board") authorized, pursuant to Resolution 01-15, a final loan commitment for the Development; and

WHEREAS, a modified loan application has now been submitted by the Borrower and reviewed by Agency staff which has prepared its report dated August 20,2001 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a modified 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 NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
01-027-N	Life Services Alternatives Santa Clara/Santa Clara	15	$2,500,000
		Loan-to-Lender:	$2,500,000

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

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

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

I hereby certify that this is a true and correct copy of Resolution 01-31 adopted at a duly constituted teleconference meeting of the Board of the Agency held on October **10,2001,** at Sacramento and Culver City, California.

ATTEST:________________
Secretary

RESOLUTION 01-31

RESOLUTION AUTHORIZING A FINAL
LOAN COMMITMENT MODIFICATION

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in 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 NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
01-027-N	Life Services Alternatives Santa Clara/Santa Clara	15	$2,500,000
		Loan-to-Lender:	$2,500,000

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

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

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I hereby certify that this is a true and correct copy of Resolution 01-31 adopted at a duly constituted meeting of the Board of the Agency held on September 13, 2001, at Burbank, California.

ATTEST:_______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

FINAL COMMITMENT

Far East Building

CHFA Ln. #01-008-L

SUMMARY:

This is a Final Commitment request for two loans; a first mortgage in the amount of $270,000 at 3.00%, amortized over ten years and a Loan to Lender loan in the amount of $1,350,000 at 3.00%, interest only, for two years.

The project is the Far East Building, located at 347-353 First Street in heart of the Little Tokyo District in the City of Los Angeles, within the County of Los Angeles. This project involves the historic restoration of a mixed-use building, which was badly damaged in the 1994 Northridge Earthquake. The renovation includes the restoration of a landmark ground floor restaurant, a new computer-learning center, and sixteen (16) units of housing on the top floors. Eight (8) of the units will be reserved for tenants with special needs of which four (4) will be reserved for the frail elderly and four (4) to handicapped, and homeless residents.

LOAN TERMS:

1st Mortgage Amount:	$270,000
Interest Rate:	3.00%
Term:	10 years, fixed, fully amortized
Financing:	Taxable
Loan to Lender Loan:	§ 1,350,000
Interest Rate:	3.00%
Term:	2 years interest only
Financing:	Taxable

CHFA SUBSIDY:

The Agency's will make both a reduced rate Lender Loan to the construction lender, Washington Mutual Bank, and a reduced rate permanent loan to the Borrower. The CHFA Lender Loan will be re-paid at permanent loan closing by the CHFA permanent loan, the HCD-MHP loan, the LAHD Loan, and historic tax credit equity.

An interest rate subsidy of $78,000 will be required to reduce the interest rate on both loans from 6.00% to **3.00** %. These loans afford the Agency an opportunity to utilize federal funding sources to deepen project affordability. The Agency may decide to use tax-exempt instead of taxable financing for these loans.

The Agency may elect to extend the term of the Lender Loan by three years, and at the same reduced interest rate of 3.00%. in order to provide an Agency Bridge Loan to the Historic Tax credits at permanent loan closing.

LOCALITY INVOLVEMENT:

The project has received final commitments for reduced rate, deferred payment financing from the Los Angeles Housing Department, HCD-MHP, the Federal Home Loan Bank AHP program. It has received a final commitment for a commercial loan from the Valley Economic Development Council.

The project has received a commitment for an eight, ten- year project based, Section 8, Mod-Rehab certificates from the Los Angeles Housing Authority.

The project is waiting for final commitments from the National Parks Service "Save America's Treasures" program, and the HUD Supportive Housing Program ("SHP").

The former owners donated the improvements, and entered into a ninety-nine year land lease in return for favorable tax treatment by the IRS.

The project will utilize Historic Tax Credits.

OTHER FINANCING ISSUES:

The Agency underwrote our permanent loan utilizing the income stream from a ten-year, project based, **SRO-Mod** Rehab, Section 8 contract with the Los Angeles Housing authority.

HCD-MHP requires a fixed payment and this is included in the project financing.

The Valley Economic Development Center ("VEDC") will loan the property approximately **$326,000** at 50 basis points below prime (currently **6.00%).**The **VEDC** loan will have a ten-year term, but payments will be amortize over twenty-five years to allow for smaller payments. The VEDC loan can be prepaid without penalty. The **VEDC** will be repaid from the commercial income only, The Valley Economic Development Council is a non-profit lender. The VEDC funds come from the EDA and can only be used for seismic retrofit of commercial structures damaged in the Northridge Earthquake. VEDC has agreed to subordinate to the CHFA permanent loan, and to enter into tri-party agreement with the Agency.

This transaction involves a land lease with a private party lessor. The private party has agreed in the executed land lease to subordinate their interest in the fee to the Agency's leasehold mortgage, but will not sign the note associated with the Agency's leasehold mortgage. Given the low level of risk associated with this transaction, the Agency has elected to proceed.

SPECIAL NEEDS PROGRAM:

Eight units will be reserved for homeless persons. Four (4) of the eight (8) special needs units will be reserved for homeless persons with disabilities, and four (4) will be targeted to the frail elderly. The remaining eight (8) units will be available as affordable housing for the general low-income population. The sizes of apartments units in the proposed project – studios and I-bedroom units – make them especially appropriate for seniors.

The Far East will provide a positive environment that fosters independent living by integrating homeless/formerly homeless and the disabled homeless into the "main stream" population. The social service provider, Little Tokyo Service Center believes that in permanent housing situations disabled persons are likely better served by viewing their disabilities as falling within a range of normal obstacles faced by all people and **NOT** as the defining aspect of their lives. In a building where populations are mixed and include "mainstream" populations, people are encouraged to see themselves as part of the larger population and are encouraged to live and act accordingly.

The sponsor will establish a satellite office in the smaller commercial unit on the first story of the project. The satellite office will be staffed. Staff will provide linkages to services, all of which are located within one-half of a mile of the project. In addition, residents have easily access to personal counseling sessions on personal, family, and immigration issues at Little Tokyo Service Center and the Borrowers main office, both of which are only a 7 minutes walk from the project.

All residents will be requested to fill 'out a tenant survey when they move in. The survey will be reviewed by the Borrower's Tenant Services Division to identify particular needs of the resident. Social workers from Little Tokyo Service Center will follow up with the residents and periodically visit the residents at their apartments to check on their progress and reassess their new needs.

Supportive services will include:

- Assistance in accessing government benefits
- Access to job training programs
- Assistance finding jobs or sheltered workshop placements
- Referrals for treatment and social services depending upon disability
- Services provided in multiple languages, translation services and ESL classes
- Personal and family counseling

- Immigration assistance
- Senior services
- Linkages with the Asian Pacific Legal Center, the Legal Aid Foundation of LA, the Asian Pacific Family Center, the Asian Pacific Counseling and Treatment Center, the Asian American Drug Abuse Program, the Asian Pacific Health Care Venture, Chinatown Service Center, Korean Youth and Community Center, and the Thai Community Development Center

PROJECT DESCRIPTION:

A. Project Site/Architectural Features

Built in 1909, the Far East Building is part of the National Landmark Little Tokyo Historic District. It is located just east of the LA Civic Center and within quarter mile to the Toy District and Garment District in downtown Los Angeles. The Historic District consists of 13 buildings; all except one were built prior to World War II. The buildings in the Historic District all have ground floor commercial with multiple stories of living units above as a typical building type during that era. Ranging in height of one to four stories, all of the buildings in the Historic District are brick and present somewhat formalized facades to the street.

The Far East Building is surrounded by a variety of commercial land uses. Directly to the west is a four-story mixed use building which houses a restaurant on the ground floor and a residential hotel above – very similar to Far East before it was vacated. East of the project is former Nishi Hongwangi Temple, which has been converted into the Japanese American National Museum. Across the street south of Far East and the Historic District is the Japanese Village Plaza, where many restaurants, souvenir shops, a bakery, and a grocery store can be found. North of Far East is a seven-acre lot, which is the focus of a feasibility study for a proposed art park.

The architectural style of the Far East building is eclectic beaux-arts moderne. It has a simple facade, clean lines and arched thematic windows on the residential levels frame which bring natural light into the deep and relatively narrow commercial spaces by the use of a band of transom lights above tile bulkheads and storefront openings. In 1935, sloped storefront glazing and glass block bulkheads were added. There is a third floor skylight above an interior center atrium, and light wells cutting through the third floor atrium floor which bring light into the two residential floors. On the second floor of the residential area is a generous lobby area, which is defined by the elaborately carved handrail of the grand stairway leading to the third floor. The walls of the common areas have a wooden wainscoting and a reed molding. The ceilings are 10-feet high. Doors leading to individual units are adorned by brass hardware, framed by reed molding and corner rosettes, and all have transom windows above the unit doors.

At the,rear of the building, there is a small courtyard, which will be cleared and converted into a "adopt a plot" garden for the residents to cultivate vegetables, and plant flowers.

B. Proposed Renovation

The project will entail the substantial rehabilitation of the 3 story, mixed-use building. The building currently has two ground floor commercial spaces, the Far East Cafe (restaurant) and a second commercial space (formerly Anzen Hardware), and 24 SRO units on the second and third floors.

The 16 SRO units will be reconfigured to create two (2) one bedroom and fourteen (14) studio units, each with a full private bathroom and kitchen. This reconfiguration will require demolition, and the construction of new interior partition walls. To meet historic preservation standards, approximately 90% of the interior public corridor on both residential floors must remain in original condition. This will require the re-use of all doors and finishes. Doors that will no longer be used will be left in place and closed off from behind. Ceiling and wall plaster will be patched and repaired, as feasible and new plaster will match existing plaster. An elevator, with a security-key access system, will be added for the residential tenants.

Both commercial spaces will be restored to their former condition, except for the insertion of the elevator lobby, which will be located in the front portion of the building in the former Anzen Hardware space. The wooden booths, wall patina and other finishes will be refurbished in the restaurant space. The back portion of the restaurant will be replaced with a new, modem kitchen facility for the incoming restaurant operator. Little Tokyo Service Center CDC will use the former hardware store commercial space as a satellite office, and computer-learning center. The new computer-learning center will serve both the residents of the building, and the Little Tokyo community as a whole.

The building will be seismically reinforced. The seismic work will include the use of the elevator shaft in the front portion of the building to replace an existing seismic. steel moment frame of questionable integrity. A new frame from foundation up to the roof will replace a second steel existing frame in the middle of the building. The roof diaphragms and floor diaphragms will be connected structurally to the masonry and steel brace frame using drag struts. The exterior brick walls will be repaired, and repointed. Existing bricks will be used where possible. The roof and the roof sheathing will be replaced and strengthened.

An existing, unusable, fire escape in the rear of the building will be replaced with a new, enclosed, exit staircase that will provide a second means of egress for residents. The rear of the building will be bumped out to provide additional commercial space for handicapped restrooms and a laundry facility for the residential floors.

Smoke detectors, fire sprinklers, all mechanical systems, electrical wiring and plumbing will be replaced. New roof mounted heat pumps and air conditioning equipment will be provided for all units.

MARKET:

A. Market Overview

Los Angeles County had a population in **2000** of 9.9 million residents. Although hard-hit by the 1990 recession, the economy has undergone an economic restructuring from the industrial/cold war economy to an information/international economy. In June **2000,** the unemployment rate for the County was **5.3%** as compared to **5.2%** for California and **4.2 %** of the country. The City of Los Angeles had a higher unemployment rate of **6.4%.**

The City of Los Angeles has a population of **3,823,000** residents in **2000.** It grew by 1.6% in 1999 and continued growth is expected.

The City of Los Angeles is an extremely diverse area. The city is divided into numerous geographical areas and nearly 100 recognized communities. Each geographical subdivision and community is unique and exists within its own particular environmental mosaic. The subject property is located in Little Tokyo area of Downtown Los Angeles, just east of the Los Angeles Civic Center.

B. Sub Market Overview

The primary market area for the project is the Little Tokyo Redevelopment Project Area as administered by the Community Redevelopment Commission of the City of Los Angeles. The district is generally bounded by Third Street to the south, Los Angeles Street to the west, First Street to the north and Alameda Street to the east. The area is characterized as the "cultural, religious, social and commercial center for the Japanese American community in Southern California.

The subject property is situated in an office, retail, and residential area within the prominent Little Tokyo area. The current mix of older and newer office and retail uses appears to currently be undergoing significant revitalization, with the remaining properties appearing to be stable in their current usage.

Little Tokyo is home to approximately 2,500 people, and has a diverse ethnic mix. In the year 2000 it was 16.5 % non-Hispanic white, 34.1% African American, 16% Latino, and 32.6% of Asian, primarily Japanese Americans. The per capita income is approximately 50% of the countywide levels. In 1990, per capita income was $8,498, compared to countywide level of $15,220.

Within one-quarter of a mile of the project are various amenities including grocery stores, restaurants, shops, medical facilities, recreational facilities, several churches, temples and cultural institutions. Residents of Little Tokyo tend to have strong family networks and ties with cultural institutions. The area is well served by public transportation. Ten bus lines serve the area, with four of them along First Street in front of the subject property. Union Station is within a mile of Little Tokyo.

C. Market Demand

There is a strong demand for housing for senior housing, and low-income housing in Little Tokyo. The majority of the households are seniors, most of whom are long-term residents of the community. Eighty five percent of the households are renters, and sixty eight percent of the households pay over 30% of their household income for rent.

The Borrower manages two housing projects in the Little Tokyo area, and has 146 people on their waiting list for studios and one-bedroom units. One of these properties is a fully occupied, 42-studio unit building located within a block of the Far East Building. It is fully occupied and has 50 people on the waiting list. Half of its residents are retired seniors whose only source of income is Social Security. The remaining residents, many of whom were formerly homeless, are employed nearby in the Toy District, the Garment District and in the downtown hotels.

According to the public housing waiting list compiled by the Housing Authority of the City of Los Angeles, there are currently 3,485 applicants waiting for studio units.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted Rents)

Rent Level	Subject Project	Section 8 FMRs	Mkt.Rate Average	Difference	% Of Market
One-Bedroom					
50% AMI	483		$1,100-$1,715	$627-$1,528	44%
Studio					
35% AMI	314	599	$925-1,350	$611-1,036	34%
50%	457			$680-893	49%

The project will receive a contract for eight, project based, Section 8, units from the Los Angeles Housing Authority. The residents of these units will only pay 30% of their income for rent, which for most of the residents will be less than the restricted rent of $3 14.

B. Estimated Lease-Up Period

It is estimated that the units will be leased as soon as they are available.

OCCUPANCY RESTRICTIONS:

CHFA:	40% of the unit's (6) will be restricted to 50% or less of area median income. CHFA will also require that 40% of the unit's (6) be rented to special needs residents for a period of 10 years.
HCD-MHP	35% of the unit's (6) will be restricted to special needs residents earning 35% or less of the state median income for fifty-five years.
LAHD	100% of the units (16) will be restricted to 50% or less of the area median income for 40 years.
HUD SHP	25% of the unit's (4) be reserved for homeless or formerly homeless disabled persons.
AHP	100% of the units restricted to families or residents earning 50% or less of the area median income for 10 years.
HACLA	Eight of the units must be reserved for homeless persons for 10 years.

ENVIRONMENTAL:

Barr & Clark Independent Testing of Torrance, California performed a Phase I report in August 2000. The report found four facilities within search distances, which have been identified as hazardous substance or hazardous waste facilities but none are likely to negatively impact the environmental condition of the site. No further action was recommended.

Barr & Clark produced an Asbestos Inspection Report in August 2000. They found asbestos in damaged condition in the window putty in the exterior building windows, and some of the interior windows, asbestos in damaged condition in the asbestos cement pipe found on the north roof. They found asbestos in good condition in the roofing mastic throughout the roofs. Barr & Clark recommended that prior to renovation, a licensed asbestos removal contractor remove all asbestos containing materials from impacted areas.

Barr & Clark performed a Lead Paint Inspection Report dated August 2000. They found the presence of lead based paint at or above federal action levels throughout the property. Barr & Clark is working with the developer to finalize lead removal, encapsulation, and maintenance protocols for the property. They have recommended removal for lead based paint that has become defective, is applied to a friction impact component, and paint that will be disturbed through remodeling will be removed. Lead based paint in the units that does not fit the removal criteria will be evaluated to determine whether it can be maintained in place, or will require encapsulation.

The project will require substantial seismic retrofit.

ARTICLE **34:**

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

DEVELOPMENT TEAM:

A. Borrower's profile

The Borrower is the Little Tokyo Service Center Community Development Corporation (LTSC CDC). They were established in 1993 and employ ***58*** full-time and part-time staff. They have built 256 units of housing to date. In addition, LTSC CDC has completed over 45,000 square feet of commercial **and** nonprofit facility space, including a community health clinic and the Union Center for the Arts.

LTSC CDC has received numerous awards, including the Department of Housing and Urban Developments 1999 "Best Practices" Award; the Southern California Association of Non-Profit Housing's 1997 "Project of the Year" Award; "Best Urban Project" Award from the National Affordable Housing Tax Credit Coalition; the Great Western/Washington Mutual's Housing Award: and various historic preservation awards.

B. Contractor

To be selected.

C. Architect

Robert Uyeda of Tetra Design is the project Architect. He has extensive experience working with historic structures. Mr. Uyeda **was** also the architect for the historic rehabilitated of the annex of Japanese American National Museum, which is located next door to the Far East building.

Michael Krakower of Krakower & Associates is the Structural Engineer for the project. Mr. Krakower specializes in the historic rehabilitation of unreinforced masonry structures, and has worked on several successful renovations of national register projects.

Robert Chattel, President of Chattel Architecture Planning and Preservation is the preservation consultant for the project. Mr. Chattel has 18 years of experience as a preservation architect, and was the Program Director of the LA Conservancy prior to establishing his architectural own practice.

D. Management Agent

LTSC CDC will provide property management services. They currently manage nine (9) affordable housing projects with 335 units, and 40,000 square feet of nonprofit service and commercial space. In 1999, they won the Metropolitan Life Foundation Awards for Excellence in Affordable Housing for Property and Asset Management.

E. **Service Provider**

Little Tokyo Service Center has more than 20 years of experience in providing social services including an Emergency Care Program (ECP) for the homeless, transportation services, and counseling services to address immigration issues, family issues, and social service referrals. Little Tokyo Service Center provides various program catering specifically to the need of seniors, including care management, in-home services, caregiver relief, personal care, transportation services, and support groups for stroke survivors.

Project Summary

Date: 28-Aug-01

Project Profile:

Project :	Far East Building	*Appraiser:*	Michael Popwell
Location:	347-353 E. 1st Street		Michael Popwell Associates
	Los Angeles		
County/Zip:	Los Angeles	*As-Is Value*	$ 700,000
Borrower:	Little Tokyo Service Center	*After Rehab*	TBD
GP:	Little Tokyo Service Center	*Final Value:*	$ 700.000
LP:	National Equity Fund		
		LTC/LTV:	
Program:	Special Needs	*Loan/Cost*	8.0%
CHFA # :	01-008-L	*Loan/Value*	38.6%

Project Description:

Units	16
Handicap Units	2
Bldg Type	Historic Rehab
Buildings	1
Stories	3
Residential Sq Ft	5,420
Land Sq Ft	5.750
Units/Acre	121
Total Parking	0
Covered Parking	0
Comm. Sq. Ft.	3,840

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$270,000	$16,875	3.00%	10
HCD	$515,380	$32,211	3.00%	55
VEDC - Commercial Loan	$275.000	$17.188	6.00%	10
LAHD	$525,000	$32,813	4.00%	40
AHP	$80,000	$5,000	0.00%	10
SHP	$250,000	$15,625		
Developer Equity	$402,791	$25,174		
Land Donation	$200,000	$12,500		
Building Donation	$204,263	$12,766		
National Park Service / Historic Tax Credit Equity	$339.150	$21,197		
Historic Tax Credit Equity	$334,352	$20,897		
CHFA LOAN TO LENDER	$1,350,000	$84,375	3.00%	2

Type	Size	Number	AMI	Rent	Max Income
Manager	900	1	NA	$0	NA
0 BR	500	8	35% TCAC	$314	$13,353
0 BR	500	5	50% TCAC	$457	$19,075
1 BR	650	2	50% TCAC	$483	$21,800
		16			

Fees, Escrows and Reserves:

Escrows	Basis of	Requirements	Amount	Security
Commitment Fee	1.00%	of Loan Amount	$2,700	Cash
Commitment Fee - Loan to Lender	1.00%	of Loan Amount	$13,500	Cash
Bond Origination Guarantee	0.00%	of Loan Amount	NA	NA
Rent Up Account	15.00%	of Gross Income	$14,562	Cash or LOC
Operating Expense Reserve	10.00%	of Gross Income	$9,708	Cash or LOC
Utility Reserve	150.00%	1st year's utilities	$13,875	Cash
Marketing	10.00%	of Gross Income	$9,708	Cash or LOC
Annual Replacement Reserve Deposit	$400	unit	$6,400	Operations
Replacement Reserve Deposit	$500	unit	$8,000	Cash

Sources and Uses

Far East Building

SOURCES:

Name of Lender/Source	Total Amount	Residential Amount	Residential % of total	Residential $ per sq ft	Residential $ per unit
CHFA First Mortgage	270.000	270,000	10.37%	49.82	16,875
CHFA Bridge	0	0	0.00%		0
CHFA LOAN TO LENDER	1,350,000	1,350,000	51.86%	249.08	84,375
HCD	515.380	515,380	19.80%	95.09	32.211
VEDC - Commercial Loan	275,000		0	10.56%	
LAHD	525,000	525,000	20.17%	96.86	32.813
AHP	80.000	80,000	3.07%	14.76	5.000
SHP	250,000	250.000	9.60%	46.13	15,625
Total Institutional Financing	1.915,380	1,640,380	63.02%	353.39	119,711
Equity Financing					
Developer Equity	402,791	350,717	13.47%	74.32	25.174
Land Donation	200,000	164,760	6.33%	36.90	12,500
Building Donation	204,263	168,272	6.46%	37.69	12,766
National Park Service	339,150	279,022	10.72%	62.57	21.197
Historic Tax Credit Equity	334.352	0	0.00%	61.69	20,897
Total Equity Financing	1,480,556	**962,771**	36.98%	273.17	92.535
TOTAL SOURCES	3,395,936	**2,603,151**	100.00%	626.56	212,246

USES:

	Total Amount	Residential Amount	Residential % of total	Residential Speroqn	Residential Sper unit
Acquisition	428,161	321,121	12.34%	79.00	26,760
Rehabilitation	1,933,900	1,450,425	55.72%	356.81	120.869
New Construction	0	0	0.00%		0
Architectual Fees	199,943	149,957	5.76%	36.89	12.496
Survey and Engineering	26.800	20.100	0.77%	4.94	1,675
Const. Loan Interest & Fees	103,664	73.273	2.81%	19.13	6.479
Permanent Financing	21,700	21,700	0.83%	4.00	1,356
Legal Fees	5.000	3,750	0.14%	0.92	313
Reserves	31,583	31,583	1.21%	5.83	1,974
Contract Costs	2.000	1,500	0.06%	0.37	125
Construction Contingency	328,785	291,042	11.18%	60.66	20.549
Local Fees	88,000	66.000	2.54%	16.24	5.500
TCAC/Other Costs	26,700	24,700	0.95%	4.93	1,669
PROJECT COSTS	**3,196,236**	2,455,151	94.31%	589.71	199,765
Developer Overhead/Profit	150.000	106,000	4.07%	27.68	9,375
Consultant/Processing Agent	49,700	42.000	1.61%	9.17	3,106
TOTAL USES	3,395,936	2,603,151	100.00%	626.56	**212,246.02**

Annual Operating Budget

Far East Building

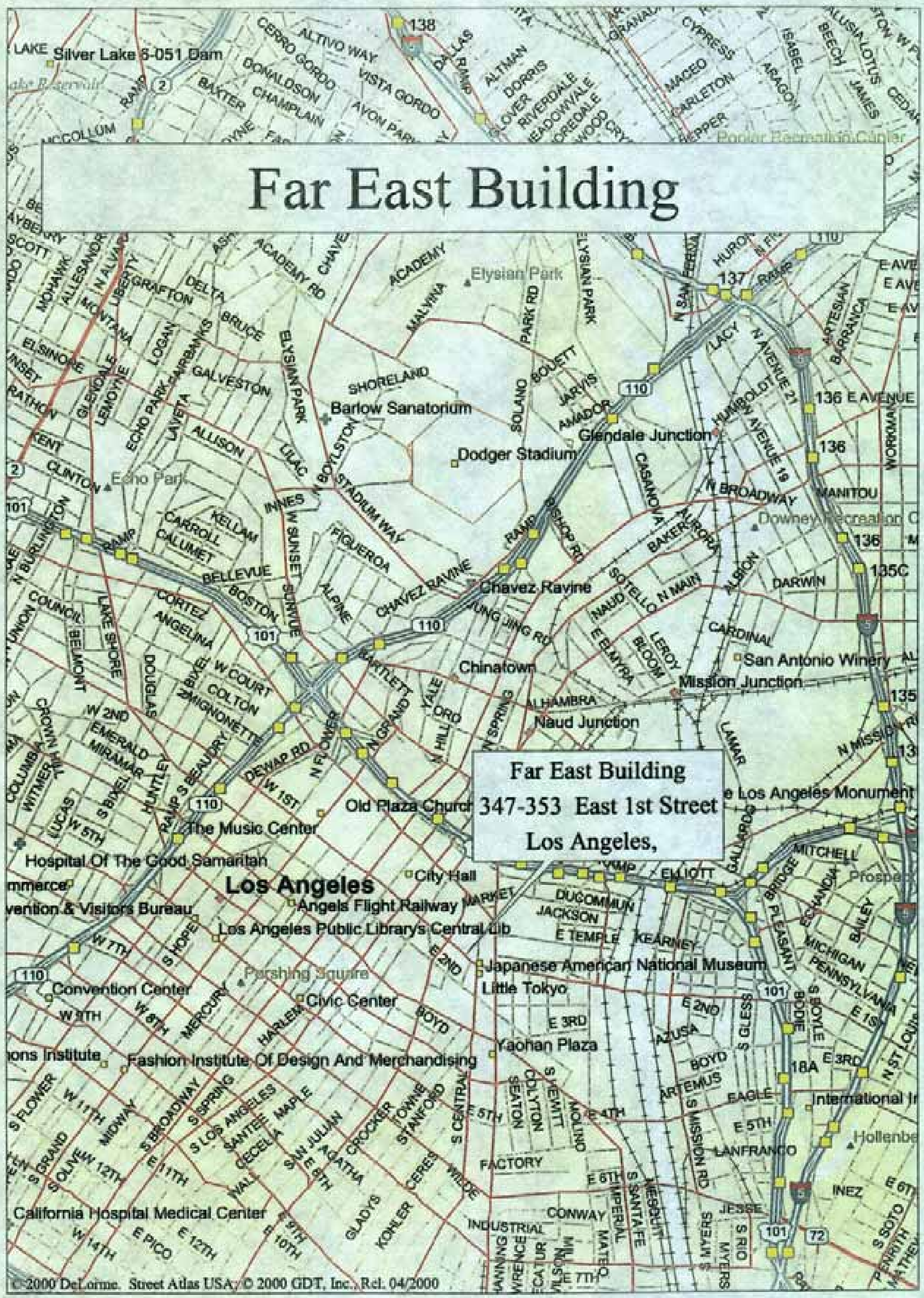
		% of total	$ per unit
INCOME:			
Total Rental Income	69,130	71.2%	4,321
Laundry	576	0.6%	36
Section 8 Income	27,377	28.2%	1,711
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**97,083**	100.0%	**6,068**
Less:			
Vacancy Loss	3,485	3.6%	218
Total Net Revenue	**93,598**	**96.4%**	**5,850**
EXPENSES:			
Payroll	8,352	9.3%	522
Administrative	13,713	15.3%	857
Utilities	9,250	10.3%	578
Operating and Maintenance	10,200	11.4%	638
Insurance and Business Taxes	10,415	11.6%	651
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	6,400	7.1%	400
Subtotal Operating Expenses	**58,330**	**65.1%**	**3,646**
Financial Expenses			
Mortgage Payments (1st loan)	31,286	34.9%	1,955
Total Financial	**31,286**	34.9%	**1,955**
Total Project Expenses	**89,616**	**100.0%**	**5,601**

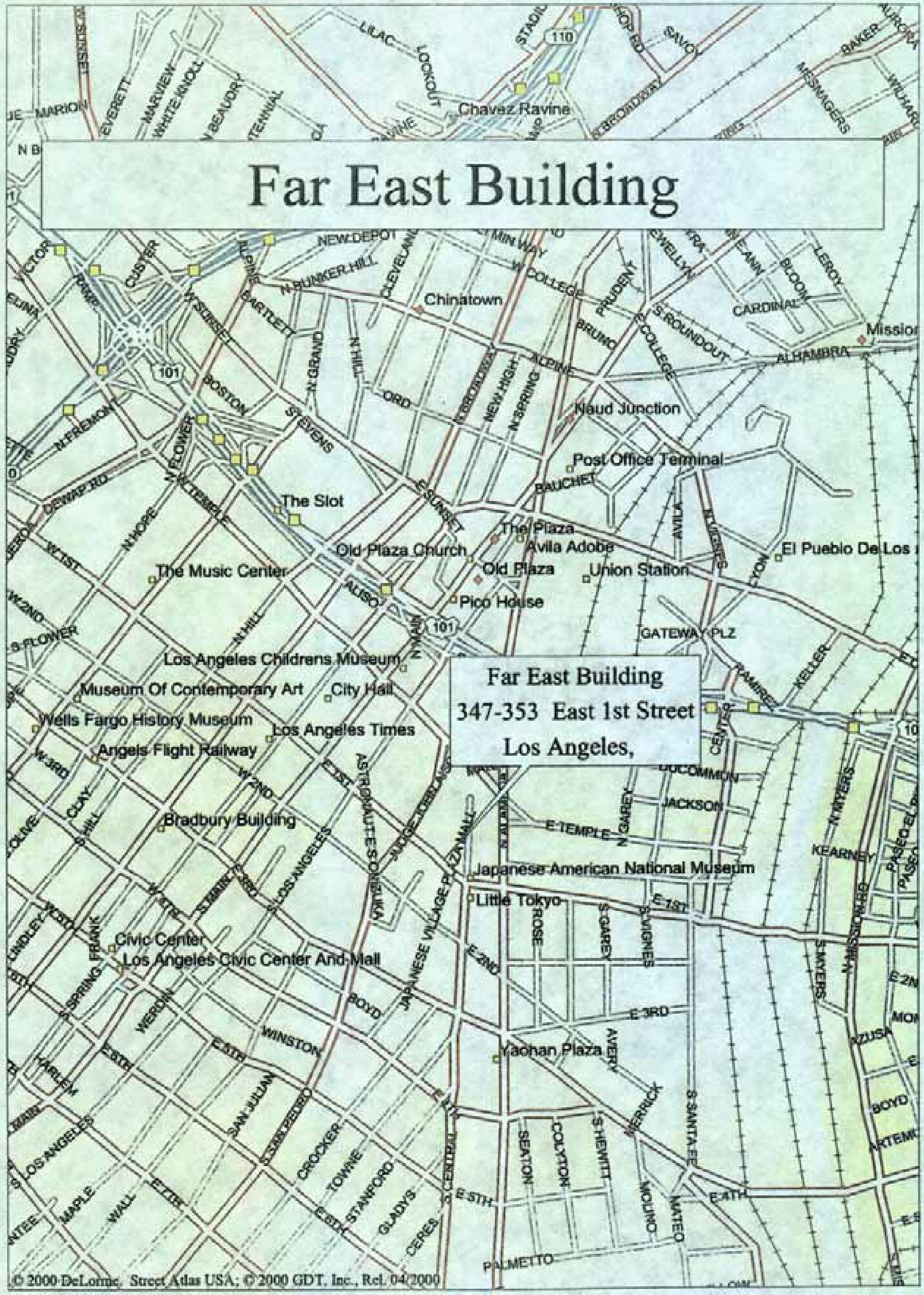
Cash Flow

Far East Building CHFA # 01-008-L

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Section 8 increment	27,377	28,061	28,763	29,482	30,219	30,974	31,749	32,542	33,356	34,190
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	69,130	70,858	72,630	74,446	76,307	78,214	80,170	82,174	84,228	86,334
TOTAL RENTAL INCOME	**96,507**	**98,920**	**101,393**	**103,928**	**106,526**	**109,189**	**111,919**	**114,717**	**117,584**	**120,524**
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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**576**	**590**	**605**	**620**	**636**	**652**	**668**	**685**	**702**	**719**
GROSS INCOME	**97,083**	**99,510**	**101,998**	**104,548**	**107,161**	**109,841**	**112,587**	**115,401**	**118,286**	**121,243**
Vacancy Rate : Section 8	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	3,485	3,572	3,662	3,753	3,847	3,943	4,042	4,143	4,247	4,353
EFFECTIVE GROSS INCOME	**93,598**	**95,938**	**98,336**	**100,794**	**103,314**	**105,897**	**108,545**	**111,258**	**114,040**	**116,891**
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	51,930	54,007	56,168	58,414	60,751	63,181	65,708	68,336	71,070	73,913
Replacement Reserve	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
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	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**58,330**	**60,407**	**62,568**	**64,814**	**67,151**	**69,581**	**72,108**	**74,736**	**77,470**	**80,313**
NET OPERATING INCOME	**35,268**	**35,530**	**35,769**	**35,980**	**36,164**	**36,316**	**36,437**	**36,522**	**36,570**	**36,578**
DEBT SERVICE										
CHFA - 1st Mortgage	31,286	31,286	31,286	31,286	31,286	31,286	31,286	31,286	31,286	31,286
HCD Debt	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
Cash flow after debt service	**1,817**	**2,080**	**2,318**	**2,530**	**2,713**	**2,866**	**2,986**	**3,071**	**3,119**	**3,127**
DEBT COVERAGE RATIO	**1.05**	**1.06**	**1.07**	**1.08**	**1.08**	**1.09**	**1.09**	**1.09**	**1.09**	**1.09**

Far East Building




Far East Building
Far East Building
347-353 East 1st Street
Los Angeles,
Chavez Ravine
Chinatown
Naud Junction
Post Office Terminal
The Slot
The Plaza
Avila Adobe
Old Plaza Church
Old Plaza
Union Station
El Pueblo De Los
The Music Center
Pico House
Los Angeles Childrens Museum
Museum Of Contemporary Art
City Hall
Wells Fargo History Museum
Los Angeles Times
Angels Flight Railway
Bradbury Building
Japanese American National Museum
Little Tokyo
Civic Center
Los Angeles Civic Center And Mall
Yaohan Plaza
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RESOLUTION **01-32**

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Little Tokyo Service Center Development Corporation (the "Borrower") seeking a loan commitment under the Agency's Loan-to-Lender and Special Needs Loan Programs in the amounts described herein, the proceeds of which are to be used to provide financing for a development to be known as Far East Building (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August **27, 2001** (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of 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 NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	LOAN AMOUNT
01-008-L	Far East Building Los Angeles/Los Angeles	**16**	
		First Mortgage:	$ **270,000**
		Loan-to-Lender:	**$1,350,000**

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 the Board for approval. "Material modifications" as used herein means modifications which, in the

discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 01-32 adopted at a duly constituted meeting of the Board of the Agency held on September 13, 2001, at Burbank, California.

ATTEST: ______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Country Hills Apartments
San Jose, Santa Clara County, CA
CHFA # 01-036-N

SUMMARY

This is a final commitment request for a tax-exempt 501(c)(3) first mortgage loan in the amount of Nine Million Four Hundred Thousand Dollars ($9,400,000). Security for the loan will be a 152-unit family apartment community with common area amenities. The property is owned by Mid-Peninsula Country Hills, Inc. ("M-PCH"), a non-profit public benefit corporation that is seeking funds for project renovation and to refinance existing mortgage indebtedness.

In October 1991, the California Housing Finance Agency ("CHFA" or "Agency") funded a $6,150,000 first mortgage loan against the Country Hills Apartments, which was originally constructed in 1974. The loan carried an 8.15% interest rate with a loan maturity of November 2021. The loan balance as of February 2002 will be approximately $5,393,500. At such time the Agency anticipates refunding the underlying bonds. Upon completion of project renovation the Agency will disburse a $9,400,000 first mortgage loan. A portion of the loan proceeds will be used to retire the existing Agency loan. The new Agency loan will bear interest at six percent (6%)and fully amortize over thirty (30) years.

Interim funding for renovation will be provided by a line of credit or a construction loan from an institutional lender. Upon completion of renovation, funds remaining from the $9,400,000 CHFA loan, not committed to repayment of the existing Agency loan, will be utilized to pay off the construction loan and other permitted expenditures; with the balance of funds utilized for repayment of existing non-Agency secondary mortgage indebtedness. Any indebtedness not repaid, as well as any regulatory constraints or other secured interests, will be subordinated to the CHFA regulatory agreement and deed of trust. The secondary loan(s) will contain residual receipt payment provisions in the event project cash flow is not available. Additionally, the loan maturity dates of any secondary financing shall be extended to be co-terminus with the Agency loan.

LOAN TERMS

California Housing Finance Agency	$9,400,000
Interest Rate	6.0%
Term	30 year fixed, fully amortized
Financing	501(c)(3) Tax-Exempt

LOCALITY AND PRIVATE SECTOR INVOLVEMENT

At the present time the property has secondary financing from the Department of Housing, City of San Jose ("DHSJ") and Glendale Federal Savings ("Glendale").

The Glendale loan ($130,000) will be repaid in its entirety.

Approximately $1,2 13,645 will be repaid to DHSJ; leaving a loan balance of approximately $1,141,373.

The DHSJ loan has a remaining loan term of approximately twenty-seven (27) years. Interest accrues at 3% per annum. Principal and accrued interest is payable annually in the amount of 80% of surplus cash as approved by CHFA. As a condition of the proposed CHFA financing the final maturity date of the DHSJ loan will be extended to be co-terminus with the CHFA first mortgage loan.

The DHSJ loan (deed of trust, regulatory constraints, and other secured interests, etc.) will be subordinated to the CHFA regulatory agreement and deed of trust.

In March 2000, Country Hills Apartments entered into a Housing Assistance Payment ("HAP") contract with the Housing Authority of the County of Santa Clara to provide project-based Section 8 certificates for thirty-nine (39) rental units. The original contract was for a term of two years. However, the Housing Authority expects to renew this term contract annually, for a minimum of five (5) years, provided HUD continues funding for the Section 8 Program.

MARKET

Market Overview

The subject property is situated in the City of San Jose, Santa Clara County, California. Santa Clara County is the 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.

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 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.

PROJECT FEASIBILITY

Market rate rents for comparable properties average **$1,100** for a studio unit: **$1,295** for a one-bedroom unit; and **$1,655** for a two-bedroom unit.

Projected rents for the subject average **$738 - $891** for a studio unit; **$837 - $1,012** for a one-bedroom unit; and $875 - **$1,124** for **a** two-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
Studio		**$ 1,100**		
50%	**$738**		**$362**	67%
60%	**$891**		**$209**	**81%**
Unrestricted	$ **891**		**$209**	**81%**
One Bedroom		***$1,295***		
50%	**$837**		**$458**	**65%**
60%	$ 1,012		$ 283	78%
Unrestricted	$ 1,012		$ 283	78%
Two Bedroom		**$ 1,655**		
50%	$ 875		$ 780	53%
60%	$ 1,124		$ 531	70%
Unrestricted	$ 1,124		$ 531	70%

PROJECT DESCRIPTION

Project Location

The subject is located in the southeastern area of the City of San Jose, approximately two miles south southeast of the downtown area. The general boundaries for the subject's neighborhood include Tully Road to the north, U. **S.** Highway **101** to the east, Blossom Hill Road to the south, and State Highway 87 (Guadalupe Freeway) to the west.

The immediate neighborhood is characterized as a mixed-use area of single-family, multifamily and neighborhood commercial. Single-family developments are located generally to the east of the subject property. These properties are approximately 30 to 50 years of age and range from fair to good condition. The median sales price for existing homes in the subject's neighborhood range from $230,000 to $990,000, with an average sales price of $318,000. Several multifamily developments are located throughout the area and are generally in average condition.

Neighborhood commercial developments are located along major transportation arterials, including Tully Road to the north, Senter Road to the east and south, Branham Road to the south, and Monterey Road to the west.

Site

The subject site is irregular in shape with approximately 390 feet of frontage along the southerly side of Rancho Drive. The site contains approximately 5.43 acres, Rancho Drive is a two-way asphalt paved street with streetlights, sidewalks, curbs, gutters and drains. Surface parking is permitted along both sides of Rancho Drive. Rancho Drive is accessible from Capitol Expressway to the south, and Monterey Road to the west.

Improvements

The improvements consist of 10, two-story wood frame garden style apartment buildings and a one-story freestanding community building and pool area. The subject property, constructed in 1974, contains forty (40) studio units; forty (40) one-bedroom, one-bath/Jr units; twenty-four (24) one-bedroom, one-bath units; thirty-two (32) two-bedroom, one bath units; and sixteen (16) two-bedroom, two-bath units. Each unit is equipped with a frost-free refrigerator/freezer, disposal, range/oven and range hood. Each unit has electric baseboard heat and through-the-wall air conditioning.

Common area amenities include a freestanding recreation building with pool area and sun deck, a tot lot, two community laundry facilities, and on-site parking for 231 vehicles, of which 152 spaces are covered carports. The project has attractive mature landscaping.

OCCUPANCY RESTRICTIONS

CHFA 20% of the units will be restricted at 50% or less of AMI
20% of the units will be restricted at 60% or less of AMI.

DHSJ 20% of the units will be restricted at 50% or less of AMI

The San Jose Department of Housing regulatory terms will be co-terminus with the CHFA loan / regulatory term (thirty years)

The City of San Jose regulatory agreement will be subordinated to the California Housing Finance Agency's regulatory agreement and deed of trust.

The unit rents being paid by project tenants is no greater than sixty percent (60%)AMI. Mid-Peninsula Country Hills, Inc., intends to maintain tenant-pay portions at that level.

ENVIRONMENTAL

EMG conducted a Phase I Environmental Site Assessment on August 7, 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, wallboard system, textured ceiling material, and vinyl floor tiles were identified during on-site assessment. The report concluded that the identified asbestos containing ceiling texture throughout the project 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 results of laboratory analysis testing for radon gas concentration are pending. 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

Primary Scope of Work Items Include

- Siding replacement
- Installation of energy efficient windows and sliding glass doors
- Completion of installation of domestic copper water lines and replacements of two central domestic hot water boilers.
- 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 the Structural Pest reports
- Implementation of other recommendations, as' contained in the Physical Needs Assessment and Seismic reports.

ARTICLE XXXIV

San Jose has sufficient Article XXXIV referendum authority. A satisfactory opinion letter will be required prior to permanent loan funding

DEVELOPMENT TEAM

Borrower's Profile

Mid-Peninsula Country Hills. Inc. a California nonprofit public benefit corporation

Mid-Peninsula Country Hills, Inc. ("M-PCH"), is an affiliate of Mid-Peninsula Housing Coalition ("M-PHC"), a California nonprofit public benefit corporation.

Since 1970 Mid-Peninsula Housing Coalition has developed assisted rental housing for low and moderate-income families, seniors, single adults, and special needs populations. Currently M-PHC and its related entities own and operate over 4,000 units. During 2001, over 345 units were developed or rehabilitated.

Management Agent

Mid-Peninsula Property Management. Inc

Mid-Peninsula Property Management, Inc. ("M-PPM"), manages nearly 5,000 units for the Mid-Peninsula Housing Coalition and other non-affiliated owners. The properties provide affordable rents in moderate and high-income areas throughout the San Francisco and Monterey Bay regions.

Project Summary

915

Date: 27-Aug-01

Project Profile:

Project :	Country Hills	*Appraiser:*	Scott McFarlin
Location:	124 Rancho Drive		PGP . Inc
	San Jose	*Cap Rate:*	7.75%
County/Zip:	Santa Clara 95117	*Market:*	$ 19,750,000
Borrower:	Mid-Peninsula Country Hills, Inc	*Income:*	$ 19,750,000
		Final Value:	$ 19.750.000
		LTC/LTV:	
Program:	Tax Exempt - 501c3	*Loan/Cost*	91.7%
CHFA # :	01-036-N	*Loan/Value*	47.6%

Project Description:

Units	152
Handicap Units	0
Bldg. Type	Rehabilitation
Buildings	11
stones	2
Gross Sq Ft	91,785
Land Sq Ft	236.61 1
Units/Acre	27.98
Total Parking	231
Covered Parking	152

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA Mortgage	$ 9,400,000	$ 61,842	6.00% 6.00%	30
City of San Jose	$ 1,141,373	7,509	3.00%	30
		$		
		$		
Project Reserves	$ 553,500	$ 3.641		
Borrowers Cash **Reserves**	$ 300.000	$ 1,974		
Deferred Developer Fee	$ -	$ -		
Tax Credit **Equity**	$ -	$ -		
	$ -	$ -	0.00%	0.00
CHFA Bridge	$ -	$ -	0.00%	0.00
CHFA HAT	$ -	$ -	0.00%	0.00

Unit Mix:

Type	Size	Number	AMI	Rent	MaxIncome
0 BR		8	50%	$738	$30,550
1 BR		13	50%	$837	$34,900
2 BR		10	50%	$875	$39,300
0 BR		8	60%	$891	$36,660
1 BR		13	60%	$1,012	$41,910
2 BR		10	60%	$1,124	$47,130
0 BR		24	Mkt/Unrestricted*	$891	
1 BR		37	Mkt/Unrestricted*	$1,012	
2 BR		29	Mkt/Unrestricted*	$1,124	
		152			

* Underwriting Rents

Fees, Escrows and Reserves:

Fees, Escrows and Reserves	Basis of Requirements		Amount	Security
'Commitment Fee	1.00%	of Loan Amount	$94.000	Cash
Finance Fee	1.00%	of Loan Amount	$94.000	Cash
Bond Origination Guarantee	0.00%	of Loan Amount	$0	Letter of Credit
Utility Stablization Reserve	0.00%	of Gross Income	$97,500	Letter of Credit
Operating Expense Reserve	0.00%	of Gross Income	$0	0
Marketing Reserve	0.00%	of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit			$60,800	Operations
Initial Deposit to Replacement Reserve			$152.000	Cash
Construction Defects Agreement	2.50%	Hard Costs/12 months	$68.397	Letter of Credit

'916

Sources and Uses

Country Hills

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA Mortgage	9,400,000	61,842
0	0	0
0	0	0
0	0	0
0	0	0
0	0	
Project Reserves	553,500	3,641
Total **Institutional Financing**	9,953,500	65,484
Equity Financing		
Borrowers Cash Reserves	300,000	1,974
Deferred Developer Fee		
Tax Credit Equity	0	0
Total Equity Financing	300,000	1,974
TOTAL SOURCES	10,253,500	67,45

USES:

Glendale Federal	130,161	85
City of San Jose	1,213,645	7,98
CHFA	5,393,500	35,484
Acquisition	0	0
Rehabilitation	2,735,893	17,996
New Construction	0	0
Architectural Fees	0	0
Survey and Engineering	0	0
Const. Loan Interest & Fees	82,257	541
Permanent Financing Fees	311,000	2,046
Legal Fees	0	0
Reserves	249,500	1,641
Contract Costs	25,000	164
Construction Contingencies	84,544	556
Local Fees	28,000	184
TCAC/Other Costs	0	0
PROJECT COSTS	10,253,500	67,457
Developer Fee	0	*0*
Project Administration	0	*0*
Consultant/Processing Agent	0	*0*
TOTAL USES	10,253,500	67,457

Annual Operating Budget — Country Hills

		% of total	$ per unit
INCOME:			
Total Rental Income	1,781,796	99.0%	11,722
Laundry	18,240	1.0%	120
Other Income	0	0.0%	-
Gross Potential Income (GPI)	1,800,036	100.0%	11,842
Less:			
Vacancy Loss	90,002	5.0%	592
Total Net Revenue	1,710,034	95.0%	11,250
EXPENSES:			
Payroll	222,985	16.0%	1,467
Administrative	110,470	7.9%	727
Utilities	116,144	8.3%	764
Operating and Maintenance	148,132	10.6%	975
Insurance and Business Taxes	34,275	2.5%	225.
Taxes and Assessments	28,000	2.0%	184
Reserve for Replacement Deposits	60,800	4.4%	400
Subtotal Operating Expenses	720,806	51.6%	4,742
Financial Expenses			
Mortgage Payment - CHFA	676,293	48.4%	4,449
Mortgage Payment - CHFA	*0*		
Total Financial	676,293	48.4%	4,449
Total Project Expenses	1,397,099	100.0%	9,191

Cash w **Country Hills** **CHFA # 01-0**

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	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Affordable Rents	1,781,796	1,812,977	1,844,705	1,876,987	1,909,834	1,943,256	1,977,263	2,011,865	2,047,073	2,082,897
TOTAL RENTAL INCOME	1,781,796	1,812,977	1,844,705	1,876,987	1,909,834	1,943,256	1,977,263	2,011,865	2,047,073	2,082,897
OTHER INCOME										
Other Income Increase	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Laundry	18.240	18,559	18,884	19,214	19,551	19.893	20,241	20,595	20,956	21,322
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	18,240	18,559	18,884	19,214	19,551	19,893	20,241	20,595	20,956	21,322
GROSS INCOME	1,800,036	1,831,537	1,863,589	1,896,201	1,929,385	1,963,149	1,997,504	2,032,461	2,068,029	2,104,219
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	90,002	91,577	93,179	94,810	96,469	98,157	99,875	101,623	103,401	105.211
EFFECTIVE GROSS INCOME	1,710,034	1,739,960	1,770,409	1,801,391	1,832,916	1,864,992	1,897,629.	1,930,838	1,964,627	1,999,008
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	645,256	671,066	697,909	725.825	754,858	785,053	816,455	849,113	883,077	918,400
Replacement Reserve	60.800	60,800	60.800	60,800	60,800	63,840	63,040	63,040	63,840	63.840
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	14,750	15,045	15,346	15.653	15,966	16,285	16,611	16.943	17,282	17,628
TOTAL EXPENSES	720,806	746.91 1	774,055	802,278	831,624	865,178	896,906	929,896	964,199	999,868
NET OPERATING INCOME	989.228	993.049	996.354	999.113	1,001,291	999.814	1,000.723	1,000.942	1,000.428	999.140
DEBT SERVICE										
CHFA - Mortgage	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293
CHFA - Mortgage	0	0	0	0	0	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	312,935	316,756	320,061	322,820	324,998	323,521	324,430	324,649	324,135	322,847
DEBT COVERAGE RATIO	1.46	1.47	1.47	1.48	1A8	1.48	1.48	1.48	1.48	1.48

918

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	*8/27/2001*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*
Affordable Rents	2,119,347	2,156,436	2,194,174	2,232,572	2,271,642	2,311,395	2,351,845	2,393,002	2,434,880	2,477,490
TOTAL RENTAL INCOME	**2,119,347**	**2,156,436**	2,194,174	2,232,572	2,271,642	2,311,395	2,351,845	2,393,002	2,434,880	2,477,490
OTHER INCOME										
Other Income Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Laundry	21,695	22,075	22,461	22,855	23,254	23,661	24,076	24,497	24,926	25,362
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	21,695	22,075	22,461	22,855	23,254	**23,661**	**24,076**	24,497	24,926	**25,362**
GROSS INCOME	**2,141,043**	**2,178,511**	2,216,635	2,255,426	**2,294,896**	2,335,057	2,375,920	2,417,499	2,459,805	2,502,852
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	107,052	108,926	110,832	112,771	114,745	116,753	118,796	120,875	122,990	125,143
EFFECTIVE GROSS INCOME	2,033,991	**2,069,586**	2,105,803	2,142,655	2,180,151	2,218,304	2,257,124	2,296,624	**2,336,815**	2,377,709
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	955,137	993,342	1,033,076	1,0'16,999	1,117,375	1,162,070	1,208,552	1,256,894	1,307,170	1,359,457
Replacement Reserve	67,032	67,032	67,032	67,032	70,384	70,384	70,384	70,384	70,384	73,903
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	17,980	18,340	18,707	19,081	19,462	19,852	20,249	20,654	21,067	21,488
TOTAL EXPENSES	1,040,149	1,078,714	1,118,814	1,160,511	1,207,221	1,252,305	1,299,185	1,347,932	1,398,620	1,454,848
NET OPERATING INCOME	993,842	990,872	906,909	982,144	972,931	965,999	**957,940**	948,692	938,19d	**922,861**
DEBT SERVICE										
CHFA - Mortgage	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293
CHFA - Mortgage	0	0	0	0	0	0	0	0	0	0
MHP Admin Fee	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan										
CASH FLOW after debt service	**317,549**	**314,579**	**310,696**	**305,851**	**296,638**	**289,706**	**281,647**	**272,399**	**261,901**	**246,568**
DEBT COVERAGE RATIO	**1.47**	**1.47**	**1.46**	**1.45**	**1.44**	**1.43**	**1.42**	**1.40**	**1.39**	**1.36**

Cash

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	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*	*3713000.00%*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Affordable Rents	2,520,846	2,564,961	2,609,848	2,655,520	2,701,992	2,749,277	2,797,389	2,846,343	2,896,154	2,946,837
TOTAL RENTAL INCOME	2,520,846	2,564,961	2,609,848	2,655,520	2,701,992	2,749,277	2,797,389	2,846,343	2,896,154	2,946,837
OTHER INCOME										
Other Income Increase	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Laundry	25,806	26,257	26.717	27,184	27,660	28,144	28,636	29,138	29,648	30,166
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	25,806	26,257	26,717	27,184	27,660	28,144	28,636	29.138	29,648	30,166
GROSS INCOME	2,546,652	2,591,218	2,636,564	2,682,704	2,729,652	2,777,421	2,826,025	2,875,481	2,925,802	2,977,003
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	127,333	129,561	131,828	134,135	136,483	138,871	141,301	143,774	146,290	148.850
EFFECTIVE GROSS INCOME	2,419,319	2,461,657	2,504,736	2,548,569	2,593,169	2,638,550	2,684,724	2,731,707	2,779,512	2,828,153
OPERATING EXPENSES					25					30
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	1,413,835	1,470,389	1,529,204	1,590,372	1,653,987	1,720,147	1,788,953	1,860,511	1,934,931	2,012,329
Replacement Reserve	73,903	73,903	73,903	73,903	77,598	77,598	77,598	77,598	77,598	81.478
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	21,918	22,356	22,803	23,259	23,724	24,199	24,683	25,177	25.680	26,194
TOTAL EXPENSES	1,509,656	1,568,648	1,625,910	1,687,535	1,755,310	1,821,944	1,891,234	1,963,285	2,038,209	2,120,000
NET OPERATING INCOME	909,663	895,010	878,826	861,035	837,859	816,606	793,491	768,421	741,302	708,153
DEBT SERVICE										
CHFA - Mortgage	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293	676,293
CHFA - Mortgage	0	0	0	0	0	0	0	0	0	0
MHP Admin Fee	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan										
CASH FLOW after debt service	233,370	218,717	202,533	184,742	161,566	140,313	117,198	92,128	65,009	31,860
DEBT COVERAGE RATIO	1.35	1.32	1.30	1.27	1.24	1.21	1.17	1.14	1.10	1.05

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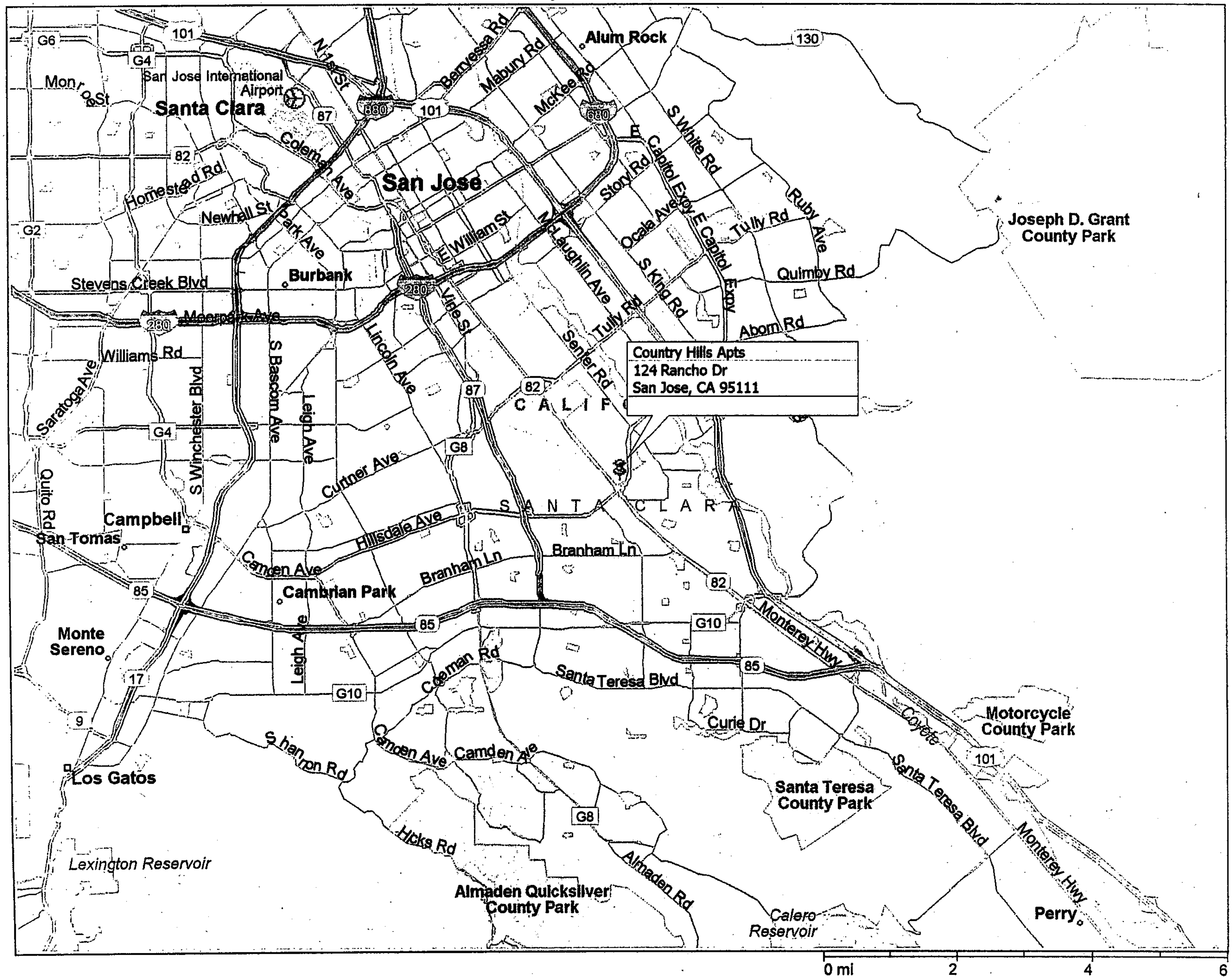
Country Hills Apartments



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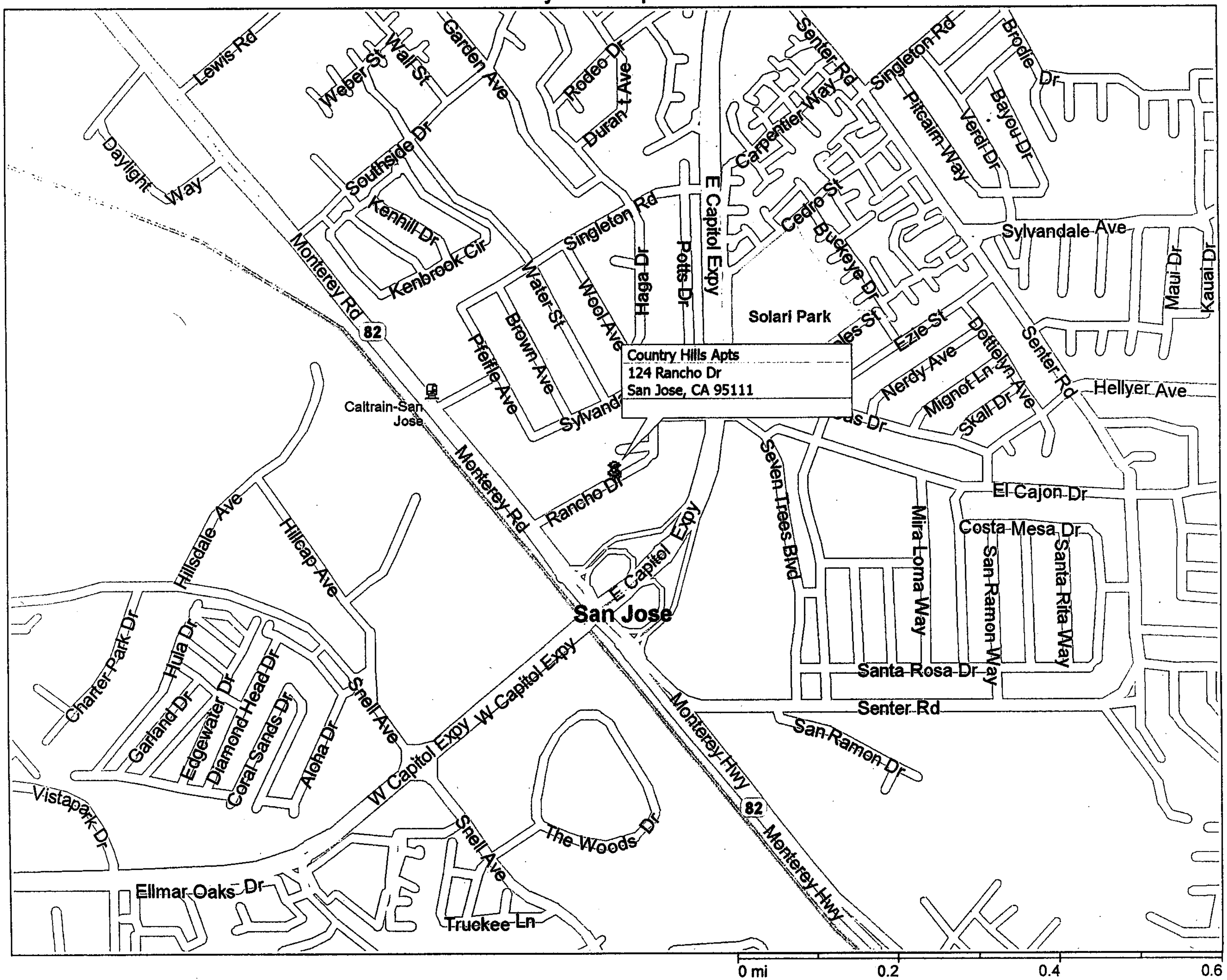
Country Hills Apartments



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RESOLUTION 01-33

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Mid-Peninsula Housing Coalition (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 152-unit multifamily housing development located in the City of San Jose to be known as Country Hills (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 27, 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 August 27, 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
01-036-N	Country Hills San Jose/Santa Clara	152	
		First Mortgage:	$9,400,000

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 01-33 adopted at a duly constituted meeting of the Board of the Agency held on September 13, 2001, at Burbank, California.

ATTEST:_______________
Secretary

PAPER
F CALIFORNIA
3 (REV. 8-72)

CALIFORNIA HOUSING FINANCE AGENCY

Loan Modification

International Boulevard Housing Initiative, Phase II

CHFA Ln.# 00043N

SUMMARY:

In March 2001, the Board of Directors approved a Lender Loan in the amount $3,150,000, and a permanent loan of $415,000. The project is International Boulevard Housing Initiative, Phase II, a proposed 24-unit, special needs and family housing development located at the International Boulevard and 61st Street in the City of Oakland, and Alameda County.

This loan modification request is for a Bridge Loan in the amount of $1,100,000 for three years at 3.00%. The CHFA Bridge Loan will be repaid from tax credit proceeds.

LOAN TERMS:

Loan to Lender:	**$3,150,000**
Interest Rate:	3.00%, interest only
Term:	Two Years
Financing:	Tax-Exempt
First Mortgage:	$415,000
Interest Rate:	3.00%
Term:	Twenty-five Years Fixed, Fully Amortizing
Financing:	Tax-Exempt
Second Mortgage:	$1,100,000.00
Interest Rate:	3.00%
Term:	Three Years, Fully Amortizing
Financing:	Tax-Exempt

SPECIAL NEEDS LOAN TERMS:

An interest rate subsidy of $319,647 will be required to reduce the interest rate all three loans. This loan affords the Agency an opportunity to utilize federal funding sources to deepen project affordability.

REASON FOR MODIFICATION:

The project needs a reduced interest rate bridge loan to achieve the equity yields required to finance this project. The project is ready to close their construction loan. The construction lender, Wells Fargo Bank, has requested a commitment letter from the Agency for a $1,100,000 bridge loan, as a condition of closing their construction loan.

When this project was before the Board of Directors for final commitment, the investor was not selected. However, staff had anticipated a request from the developer for a bridge loan as soon as an investor was selected. Staff inadvertently left out of the staff report a request for a delegation of authority to make a bridge loan commitment at a later date, or alternatively, the authority to extend the term of the lender loan to accommodate a bridge loan request.

CURRENT STATUS:

The Agency anticipates that the borrower will request a small increase in the permanent loan amount, at permanent loan closing, based on permitted rent increases in Alameda County. The project was underwritten at year 2000 rent levels. Year 2001 rent levels are significantly higher.

Executive Summary

International Boulevard, Phase II

Date: 28-Aug-01

Project Profile:

Project :	International Boulevard, Phase II	*Borrower:*	Stanley Avenue Affordable Housing, LP
Location:	6006 International Blvd, 1419-1423 61st St	*GP:*	TBD
City:	Oakland. CA.	*LP:*	TBD
County	Alameda	*Program:*	Tax-Exempt, Special Needs
Type:	Family	*CHFA # :*	00043N

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$415,000	$17,292
City of Oakland Home	$2,033,167	$84,715
MHP	$1,262,165	$52,590
Other Loans	$532,000	$22,167
Deferred Developer Equity	$304,463	$12,686
Tax Credits	$1,843,248	$76,802
CHFA Bridge	$1,100,000	$45,833
CHFA Loan to Lender	$3,150,000	$131,250

Loan to Value
16.6%

Loan to Cost
6.5%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	530	1	20% HCD	$187	8,800
2 BR	879	1	20% HCD	$203	9,960
2 BR	879	2	35% HCD	$390	17,440
3 BR	1054	1	35%HCD	$444	20,160
3 BR	530	3	40% HCD	$516	23,040
1 BR	879	4	40% TCAC	$472	21,640
2 BR	1054	2	40% TCAC	$562	24,320
4 BR	1400	2	40% TCAC	$709	29,200
3 BR	1054	7	45% TCAC	$730	30,420
2 BR	879	1	Manager		
		24			

Index:

Section	*Page*
Narrative	1
Project Summary	4
Project Profile	
Reserve Requirements	
Unit Mix and Income	
Source and Uses of Funds	5
Operating Budget	6
Project Cash Flows	7
Previous Staff Report	8

Project Summary

International Boulevard, Phase II

Date: 28-Aug-01

Project Profile:

Project: International Boulevard, Phase II
Location: 6006 International Blvd, 1419-1423 61st St
County/Zip: Oakland / Alameda CA. 94621
Borrower: Stanley Avenue Affordable Housing, LP
GP / LP: Recources for Community Development
Program: Tax-Exempt. Special Needs
CHFA #: 00043N

Appraiser:	Art Lombard, MAI Novogradac & Company
Cap *Rate:*	7.00%
As-Is Value	$2,500,000
After Rehab	$2,500,000
Final Value:	$2,500,000

LTC/LTV:

Perm.Loan/Cost	6.5%
Perm.Loan/Value	16.6%

Project Description:

Units	24
Handicap Units	10
Bldge Type	new
Buildings	5
Stories	2 and 3
Residential Sq Ft	22,901
Land Sq Ft	20.345
Units/Acre	37
Total Parking	24
Covered Parking	0
Common Area	676

Financing Summary:

	Amount	Rate	Term
CHFA First Mortgage	$415,000	3.00%	25
City of Oakland Home	$2,033,167	3.00%	30
MHP	$1,262,165	3.00%	55
HUD - SHP	$300,000		
AHP	$92,000		
HOPWA	$140,000		
Tax Credit Equity	$1,843,248		
Deferred Developer Fee	$304,463		
CHFA Bridge	$1,100,000	3.00%	3
CHFA Loan to Lender	$3,150,000	3.00%	2

Unit Mix:

Type	Size	Number	AMI-SMI	Rent	Max- Income
1 BR	530	1	20% TCAC	$187	11,460
2 BR	879	1	20% TCAC	$203	11,460
2 BR	879	2	35% TCAC	$390	20,055
3 BR	1054	1	35% TCAC	$444	22,558
1 BR	530	4	40% TCAC	$516	22,920
2 BR	879	2	40% TCAC	$472	25,780
3 BR	1054	3	40% TCAC	$562	28,640
4 BR	1400	2	40% TCAC	$709	37,373
3 BR	1054	7	45% TCAC	$730	32,220
2 BR	879	1	Manager		
		24			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements	Amount	Security
Commitment Fee	1.00%	$4,150	Cash
Commitment Fee - Loan to Lender	1.00%	$31,500	Cash
Bridge Loan Fee	1.00%	$11,000	cash
Bond Origination Guarantee	1.00%	$31,500	Cash or LOC
Rent Up Account	15.00%	$37,183	Cash or LOC
Operating Expense Reserve	10.00%	44.789	Cash or LOC
Marketing	10.00%	$24,789	Cash or LOC
Annual Replacement Reserve Deposit	5400	$9,600	Operations
Construction Completion Guarantee	2.50%	596,445	Cash or LOC

Sources and Uses
International Boulevard, Phase II

SOURCES:

Name of Lender / Source	Total Amount	Total $ per sq ft	Residential $per unit
CHFA First Mortgage	415,000	17.60	17,292
CHFA Bridge	1,100,000	46.66	45,833
City of Oakland Home	2,033,167	86.24	84,715
MHP	1,262,165	53.53	52,590
SHP	300,000	12.72	12,500
AHP	92,000	3.90	3,833
HOPWA	140,000	5.94	5,833
Total Institutional Financing	4,242,332	174.00	170,931
Equity Financing			
Tax Credits	1,843,248	78.18	76,802
Deferred Developer Equity	304,463	12.91	12,686
Total Equity Financing	2,147,711	91.09	89,488
TOTAL SOURCES	6,390,043	271.03	266,252

USES:

Acquisition	717,450	30.43	29,894
Rehabilitation	0	-	0
New Construction	3,509,800	148.87	146,242
Architectual Fees	272,000	11.54	11,333
Survey and Engineering	39,700	1.68	1,654
Const. Loan Interest & Fees	246,509	10.46	10,271
Permanent Financing	148,800	6.31	6,200
Legal Fees	55,500	2.35	2,313
Reserves	65,000	2.76	2,708
Contract Costs	17,500	0.74	729
Construction Contingency	397,980	16.88	16,583
Local Fees	249,383	10.58	10,391
TCAC/Other Costs	245,421	10.41	10,226'
PROJECT COSTS	5,965,043	253.00	248,543
Developer Overhead/Profit	390,000	16.54	16,250
Consultant/Processing Agent	35,000	1.48	1,458
TOTAL USES	6,390,043	271.03	266,252

Annual Operating Budget

International Boulevard, Phase II

		% of total	$ per unit
INCOME:			
Total Rental Income	161,663	65.2%	6,736
Laundry	2,304	0.9%	96
Section 8 Income	83,921	33.9%	3,497
Commercial/Retail	*0*	*0.0%*	
Gross Potential Income (GPI)	247,888	100.0%	**10,329**
Less:			
Vacancy Loss	8,198	5.0%	342
Total Net Revenue	239,690	96.7%	9,987
EXPENSES:			
Payroll	28.613	14.6%	1,192
Administrative	21,991	11.2%	916
Utilities	15,528	7.9%	647
Operating and Maintenance	13,091	6.7%	**545**
Social Services	59,688	30.5%	2,487
Insurance and Business Taxes	13,549	6.9%	**565**
Taxes and Assessments	4,600	2.4%	192
Reserve for Replacement Deposits	9,600	4.9%	400
Subtotal Operating Expenses	166,660	85.2%	**6,944**
Financial Expenses'			
Mortgage Payments (1st loan)	23,616	12.1%	984
MHP	5,310	2.7%	221
Total Financial	28,926	14.8%	**1,205**
Total Project Expenses	195,585	100.0%	8,149

Cash Flow International Boulev: CHFA # 00043N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	161,663	165,705	169,848	174.094	178,446	182,907	187,480	192,167	196,971	201,895
Subsidy Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*2.50%*
Shelter Plus Care Increment	83,921	85,180	86,458	87.754	89.071					
TOTAL RENTAL INCOME	245,584	250,885	256,305	261,848	267,517	182,907	187,480	192,167	196,971	201,895
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	2,304	2,362	2.421	2,481	2,543	2,607	2.672	2,739	2.807	2.877
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	2,304	2,362	2,421	2,481	2,543	2,607	2,672	2,739	2,807	2,877
GROSS INCOME	247,888	253,246	258,726	264,329	270,060	185,514	190,152	194,906	199,778	204,773
Vacancy Rate :*Affordable*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rare : Subsidy	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Less: Vacancy Loss	8,198	8,285	8,492	8,705	8,922	9,145	9,374	9,608	9,849	10,095
EFFECTIVE GROSS INCOME	239,690	244,961	250,233	255,625	261,138	176,369	180,778	185,297	189,930	194,678
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	92,772	96,483	100,342	104,356	108,530	112,871	117,386	122,081	126,964	132,043
Replacement Reserve	9,600	9,600	9,600	9,600	9,600	10,080	10,080	10,080	10,080	10,080
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Services	59.688	59,688	59,688	59,688	59,688					
Taxes and Assessments	4,600	4,692	4,786	4,882	4.979	5,079	5,180	5,284	5,390	5,497
TOTAL EXPENSES	166,660	170,463	174,416	178,525	182,797	128,030	132,646	137,445	142,434	147,620
NET OPERATING INCOME	73,030	74,499	75,818	77,100	78,341	48,339	48,132	47,852	47,496	47,058
DEBT SERVICE										
CHFA - 1st Mortgage	23,616	23,616	23.616	23,616	23,616	23,616	23,618	23,816	23,816	23,816
CHFA - **Bridge Loan**	388,883	388,883	388,883	0	0					
MHP Debt Service	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301
Cash Row **after Debt Service**	44,114	45,582	**46,901**	**48,183**	49,424	**19,422**	19,215	**18,936**	**18,579**	18,141
DCR/CHFA & YHP DEBT	2.53	2.58	2.62	2.07	2.71	1.67	1.66	1.65	1.64	1.83

935

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	206,943	212,116	217,419	222,855	228.426	234,137	239,990	245,990	252,140	258,443
Subsidy *Increase*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Shelter Plus Care Increment										
TOTAL RENTAL INCOME	206.943	212,116	217,419	222,855	228.426	234,137	239,990	245,990	252.140	258,443
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	2,949	3,023	3,099	3,176	3,255	3,337	3.420	3,506	3,593	3,683
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	2,949	3,023	3,099	3,176	3,255	3,337	3,420	3,506	3.593	3,683
GROSS INCOME	209,892	215,139	220,518	226,031	231,682	237,474	243,411	249,496	255,733	262,127
VacancyRate :Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rafe :Subsidy	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Less: vacancy Loss	10.347	10.606	10.871	11.143	11.421	11.707	12.000	12.299	12.607	12.922
EFFECTIVE GROSS INCOME	199.545	204.534	209.647	214.888	220.260	225,767	231,411	237.196	243.126	249.204
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	137,325	142,818	148,530	154,472	160,651	167,077	173,760	180,710	187,938	195,456
ReplacementReserve	10,584	10,584	10,584	10,584	10.584	11,113	11,113	11,113	11.113	11.113
Annual Tax *Increase*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Services										
Taxes and Assessments	5.607	5.720	5.834	5.951	6.070	6.191	6.315	6.441	6.570	6.701
TOTAL EXPENSES	153.516	159.121	164.948	171.006	177.304	184.381	191.188	198,264	205.621	213.270
NET OPERATING INCOME	46.029	45.412	44.699	43.882	42.056	41.386	40.223	38.932	37.505	35.934
DEBT SERVICE										
CHFA - 1st Mortgage	23,616	23.616	23,616	23,616	23,616	23,616	23,616	23,616	23,616	23,616
CHFA - Bridge Loan										
MHP Debt Service	5,301	5,301	5,301	5,301	5,301	5.301	5,301	5,301	5,301	5,301
Cash flow **after Debt Service**	17,112	16,496	15,782	14,965	14,040	12,469	11,307	10,015	8,588	7,017
DCR/CHFA & MHP DEBT	1.58	1.57	1.55	1.52	1.49	1.43	1.39	1.35	1.30	1.24

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25
Affordable *Rent* Increase	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*
Affordable Rents	264,904	272,189	279,674	287,365	295,268
Subsidy Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Shelter Plus Care Increment					
TOTAL RENTAL INCOME	264,904	272,189	279,674	287,365	295,268
OTHER INCOME					
Other *Income* Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	3,775	3,870	3,967	4,066	4,167
Other Income	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**3,775**	3,870	3,967	4,066	4,167
GROSS INCOME	268,680	276,059	283,641	291,431	299,435
Vacancy Rate :Affordable	5.00%	5.00%	5.00%	*5.00%*	*5.00%*
Vacancy Rate :Subsidy	0.00%	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Less: Vacancy Loss	13,245	13,609	13.984	14,368	14,763
EFFECTIVE GROSS INCOME	255,434	262,449	269,657	277,063	284,672
OPERATING EXPENSES					
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	203,274	211,405	219.861	228,656	237,802
Replacement Reserve	11,669	11,669	11,669	11,669	11,669
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Services					
Taxes and Assessments	6,835	6,972	7,112	7,254	7,399
TOTAL EXPENSES	221,778	230,046	238,642	247,578	256,870
NET OPERATING INCOME	33,656	32,403	31,015	29,484	27,802
DEBT **SERVICE**					
CHFA - **1st Mortgage**	23.616	23,616	23,616	23,616	23,616
CHFA - Bridge Loan					
MHP **Debt** Service	5,301	5,301	5,301	5,301	5,301
Cash Flow after Debt Service	4,739	**3,487**	**2,099**	**568**	**(1,115)**
DCR/CHFA & MHP DEBT	1.16	1.12	1.07	1.02	**0.96**

936

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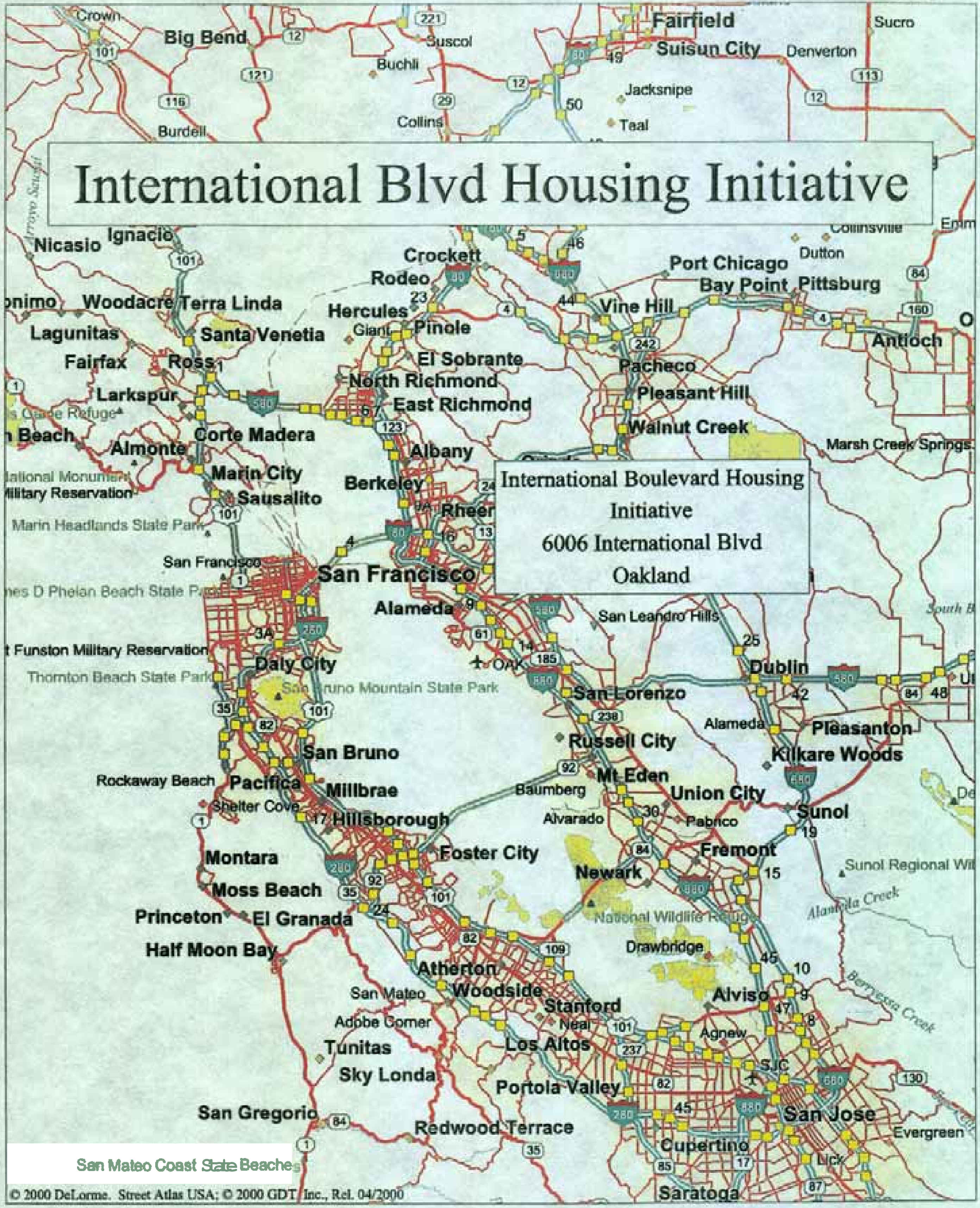
International Blvd Housing Initiative

International Boulevard Housing Initiative
Initiative
6006 International Blvd
Oakland



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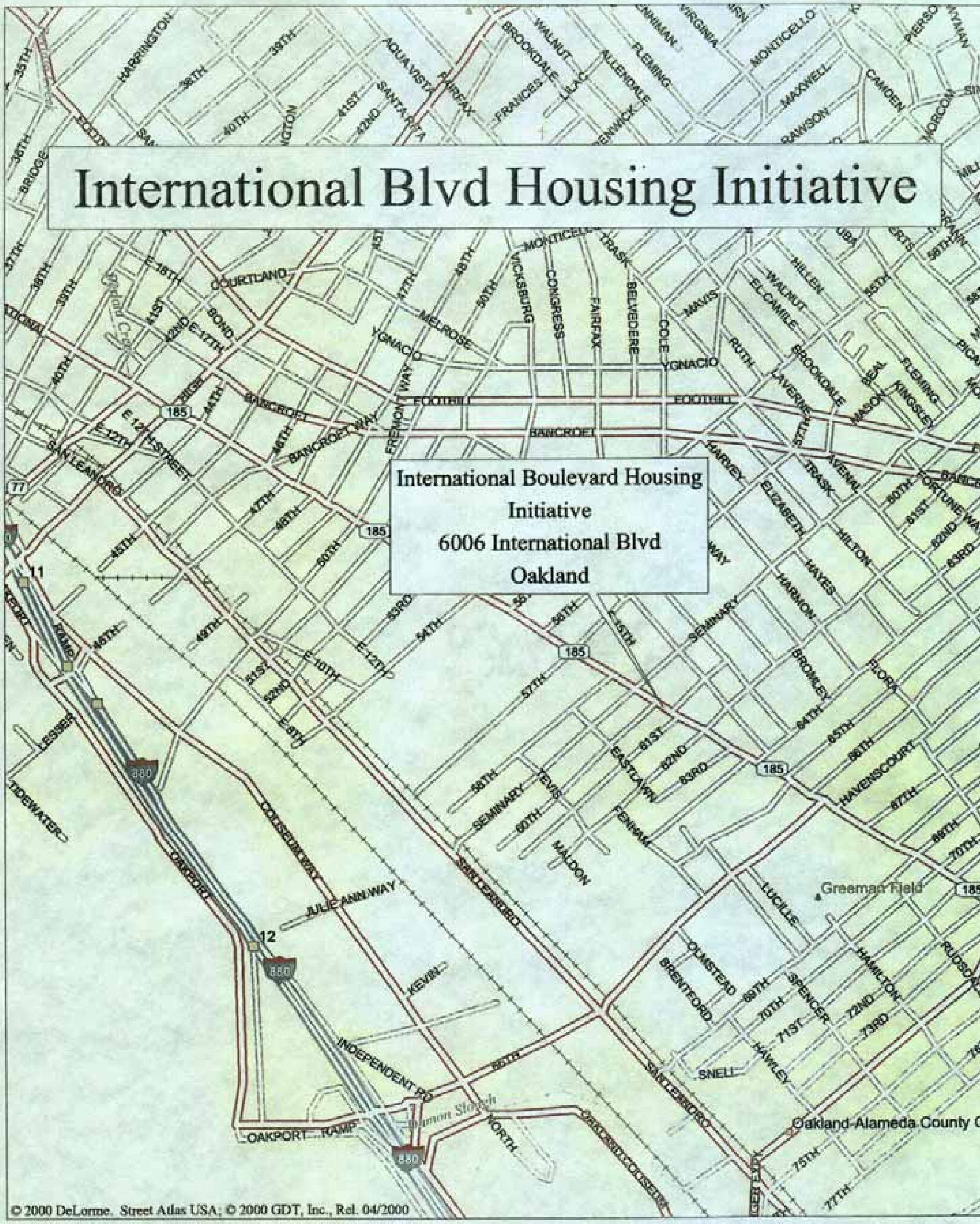
International Blvd Housing Initiative
International Boulevard Housing Initiative
6006 International Blvd
Oakland
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Oakland-Alameda County C
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RESOLUTION 01-34

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") previously received a loan application from Resources for Community Development (the "Borrower"), seeking a loan commitment in the amount of $415,000 under the Agency's Tax-Exempt Loan Program, the proceeds of which were to be used to provide a permanent mortgage loan for a development to be known as International Boulevard (the "Development"); and

WHEREAS, the Agency Board of Directors (the "Board") authorized, pursuant to Resolution 01-15, a final loan commitment for the Development; and

WHEREAS, a modified loan application has now been submitted by the Borrower and reviewed by Agency staff which has prepared its report dated August 28, 2001 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a modified 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 modified final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
00-043-N	International Boulevard Oakland/Alameda	24	$ 415,000
			$1,100,000 (Tax-Exempt Bridge)

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

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

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

I hereby certify that this is a true and correct copy of Resolution 01-34 adopted at a duly constituted teleconference meeting of the Board of the Agency held on October 10,2001, at Sacramento and Culver City, California.

ATTEST:__________________
Secretary

RESOLUTION 01-34

RESOLUTION AUTHORIZING A FINAL
LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") previously received a loan application from Resources for Community Development (the "Borrower"), seeking a loan commitment in the amount of $415,000 under the Agency's Tax-Exempt Loan Program, the proceeds of which were to be used to provide a permanent mortgage loan for a development to be known as International Boulevard (the "Development"); and

WHEREAS, the Agency Board of Directors (the "Board") authorized, pursuant to Resolution 01-15, a final loan commitment for the Development; and

WHEREAS, a modified loan application has now been submitted by the Borrower and reviewed by Agency staff which has prepared its report dated August 28, 2001 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a modified 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 modified final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
00-043-N	International Boulevard Oakland/Alameda	24	$ 415,000 $1,100,000 (Tax-Exempt Bridge)

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

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(REV 8-72)

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

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

I hereby certify that this is a true and correct copy of Resolution 01-34 adopted at a duly constituted meeting of the Board of the Agency held on September 13, 2001, at Burbank, California.

ATTEST:______________
Secretary

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