



Thursday, November 8, 2001

The Clarion Hotel
San Francisco Airport
Millbrae, California
(650) 692-6363

9:30 a.m.

- 1. Roll Call.....
- 2. Approval of the minutes of the October 10,2001 Teleconference Board of Directors meeting..702
- 3. Chairman/Executive Director comments.
- 4. Discussion, recommendation and possible action relative to a final commitment on the following projects: (Linn Warren)

<u>NUMBER</u>	<u>DEVELOPMENT</u>	<u>LOCALITY</u>	<u>UNITS</u>	
01-038-N	Gateway Apartments	Menlo Park/ San Mateo	130	
Resolution 01-32.....				..772
01-040-N	Southlake Tower	Oakland/ Alameda	130	
Resolution 01-33.....				..792
01-036-N	Country Hills Apartments	San Jose/ Santa Clara	152	
Resolution 01-40.....				..810
01-008-L	Far East Building	Los Angeles/ Los Angeles	16	
Resolution 01-35.....				..830
00-033-N	Delaware Street Apartments	San Mateo/ San Mateo	16	
Resolution 01-36.....				..850

- 5. Discussion, recommendation and possible action relative to a procedure for Board approval of small projects and delegation of authority to staff. (Linn Warren)
Resolution 01-37..... ..868
- 6. Discussion, recommendation and possible action relative to the Agency obtaining Directors and officers insurance and employment practices insurance. (Tom Hughes)
Resolution 01-38..... 872
- 7. Discussion, recommendation and possible action relative to the adoption of a resolution amending Resolutions 01-04 and 01-05 (authorizing the issuance of bonds) and approving the form of a new indenture for the issuance of “drawdown bonds.” (Ken Carlson)
Resolution 01-39..... ..874
- 8. Other Board matters.. ..
- 9. Public Testimony: Discussion only of other matters to be brought to the Board’s attention.

****NOTES****

HOTEL PARKING: No Host Parking is available at \$1.00 per hour, on a space available basis (up to \$12 a day).

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be January 10,2002, at The Westin, Millbrae, California.

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS
PUBLIC MEETING

California Housing Finance Agency Headquarters
Seventh Floor Conference Room
1121 L Street, 7th Floor
Sacramento, California

and

California Housing Finance Agency -
Los Angeles Office
100 Corporate Pointe, Suite 250
Culver City, California

Wednesday, October 10, 2001
10:00 a.m. to 11:35 a.m.

Reported and Transcribed by: Ramona Cota

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A P P E A R A N C E SDirectors Present:

CLARK WALLACE, Chairman

EDWARD M. CZUKER (Culver City Office)

ANGELA L. EASTON (Culver City Office)

CARRIE A. HAWKINS (teleconference)

KEN S. HOBBS (teleconference)

ROBERT N. KLEIN II

ANGELO R. MOZILO (teleconference)

PAT NEAL (teleconference)

JUDY NEVIS

THERESA A. PARKER

JEANNE PETERSON

Legal Staff Present:

TOM HUGHES, General Counsel

JOJO OJIMA

For the Staff of the Agency:

RICHARD A. LaVERGNE

LINN G. WARREN

KATHY WEREMIUK

LAURA WHITTALL-SCHERFEE

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

KATHY ROBINSON, Housing Authority of Santa Clara County

I N D E X

	<u>Page</u>
Proceedings	5
Roll Call	5
Approval of the minutes of the June 26, 2001 Board of Directors meeting	10
Chairman/Executive Director comments	11
Resolution 01-29	29
Motion	40
Vote	40
Resolution 01-31	41
Motion	54
Vote	54
Resolution 01-34	56
Motion	58
Vote	58
Other Board matters	59
Public testimony	61
Adjournment	67
Certification and Declaration of Transcriber	69

P R O C E E D I N G S

3
2 WEDNESDAY, SEP 10, 2001 SACRAMENTO. CALIFORNIA 10:00 AM.

3 CHAIRMAN WALLACE: I would like to call the meeting
4 of our continued September 13, 2001 rescheduled to October
5 10, 2001, i.e. today, meeting to order. I will have the
6 secretary call the roll.

7 MS. OJIMA: Thank you, Mr. Chairman.

8 CHAIRMAN WALLACE: Let me admonish you all to speak
9 up. This is a first, since I have been on the Board, video
10 teleconference Board meeting. It looks like we are pretty
11 well set up with mics in front of everybody here and I
12 assume, Ed, you and Angela -- Can you hear us okay?

13 MS. EASTON: Yes, we can hear you great.

14 MR. CZUKER: I hear fine. Perfect.

15 CHAIRMAN WALLACE: Okay. Secretary, call the roll.

ROLL CALL

16
17 MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson
18 for Mr. Angelides?

19 MS. PETERSON: Here.

20 MS. OJIMA: Ms. Nevis for Ms. Bornstein?

21 (No response).

22 MS. PARKER: Just so the Board Members all know:
23 Judy was going to call in but then she is actually going to
24 appear in person. She is on her way over here so she should
25 be here any minute.

1 MS. OJIMA: Thank you. Ms. Neal for Ms. Contreras-
2 Sweet?

3 MS. NEAL: Here.

4 MS. OJIMA: Mr. Czucker?

5 MR. CZUKER: Here.

6 MS. OJIMA: Ms. Easton?

7 MS. EASTON: Here.

8 MS. OJIMA: Ms. Hawkins?

9 MS. HAWKINS: Here.

10 MS. OJIMA: Mr. Hobbs?

11 (No response) .

12 MS. OJIMA: Mr. Hobbs?

13 CHAIRMAN WALLACE: He is supposed to be calling in
14 so we'll hope he does.

15 MS. OJIMA: Thank you. Mr. Klein?

16 MR. KLEIN: Here.

17 MS. OJIMA: Mr. Mozilo?

18 MR. MOZILO: Here.

19 MS. OJIMA: Chairman Wallace?

20 CHAIRMAN WALLACE: Here.

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

22 (No response) .

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

24 (No response) .

2s MS. OJIMA: Ms. Parker?

1 MS. PARKER: Here. (Airplanes are heard through
2 the speaker phone.)

3 MS. OJIMA: We have a quorum.

4 MR. KLEIN: Mr. Chairman.

5 CHAIRMAN WALLACE: Pat, is that you flying off?

6 MS. NEAL: Those are the -- Those are the fighters
7 from the aircraft carriers out at Coronado with the Coastal
8 Commission. Our timing seems to be impeccable for the
9 Commission, Eureka for September the 11th and now here for
10 October.

11 CHAIRMAN WALLACE: Can you get in a safe, a walk-in
12 safe or a freezer or something so we don't hear those
13 takeoffs and landings? (Laughter). Anyway, I assume that --

14 MS. NEAL: If I go inside the hotel I cannot get
15 any reception and I am too far away from my room to get to
16 it. I'm at the Del Coronado Hotel.

17 CHAIRMAN WALLACE: Well, we are not feeling sorry
18 for you, understand. (Laughter).

19 MS. PARKER: Pat, this is Terri. Does your cell
20 phone have a mute on it that you could use in-between when
21 you aren't speaking?

22 CHAIRMAN WALLACE: Did you hear that, Pat?

23 MS. NEAL: I did not hear that.

24 CHAIRMAN WALLACE: Do you have a mute button on
25 your cell phone which, when you are not speaking, you could

1 cut off extraneous background noises?

2 MS. NEAL: I'm going to look and see.

3 CHAIRMAN WALLACE: Okay, that's item one.

4 MS. NEAL: Which button would it be? (Laughter).

5 CHAIRMAN WALLACE: The one that says M-U-T-E.

6 MS. NEAL: It's not like --

7 CHAIRMAN WALLACE: We don't mean when you're
8 speaking, Pat.

9 MS. NEAL: It's not like my TV.

10 (A confirmation tone sounded.)

11 CHAIRMAN WALLACE: Oh my goodness. At any rate,
12 how long will it take you to get to your hotel room?

13 MS. NEAL: It will take me at least ten minutes. I
14 can't do it because I have got a Caltrans item coming up on
15 the Coastal Commission agenda.

16 CHAIRMAN WALLACE: Okay, okay. Sit on the --

17 MR. MOZILO: Clark, do you need her for the quorum?

18 CHAIRMAN WALLACE: What?

19 MR. MOZILO: Do you need her for the quorum? Do
20 you need Pat for the quorum?

21 CHAIRMAN WALLACE: No.

22 MS. NEAL: Okay, then I can go?

23 MR. MOZILO: Why don't you let her go?

24 CHAIRMAN WALLACE: *Why* don't you --

25 MS. NEAL: Thank you. (Laughter).

1 MS. PARKER: Pat, we'll be happy as staff to --
2 Obviously, the minutes will be verbatim but we can also brief
3 you of anything that goes on.

4 MS. NEAL: Okay, that's great.

5 CHAIRMAN WALLACE: Okay.

6 MS. NEAL: I'll call back in after awhile or
7 tomorrow, how's that?

8 CHAIRMAN WALLACE: That's fine, that's fine.

9 MS. NEAL: Okay, thank you.

10 CHAIRMAN WALLACE: Have a nice flight.

11 MR. KLEIN: Mr. Chairman, knowing that Mr. Hobbs
12 wanted to make this call could we --

13 MR. HOBBS: Good morning; I am on.

14 MR. KLEIN: Oh, great.

15 CHAIRMAN WALLACE: Okay.

16 MR. KLEIN: Great.

17 MS. OJIMA: Good morning, Mr. Hobbs.

18 MR. HOBBS: Good morning to everyone.

19 CHAIRMAN WALLACE: Hello, Ken, welcome aboard.

20 MR. HOBBS: Good morning, Mr. Chairman.

21 CHAIRMAN WALLACE: We do have a quorum, JoJo?
22 Because we have not announced that yet.

23 MS. OJIMA: Yes, we have a quorum.

24 CHAIRMAN WALLACE: We do have a quorum. Okay, we
25 are official.

3 APPROVAL OF THE MINUTES OF THE JUNE 26, 2001 MEETING

4 Item 2 on the agenda, and I assume you all have it.
5 It is a fairly short agenda. Let's talk logistics a little
6 bit.

7 MS. OJIMA: Approval of the minutes?

8 CHAIRMAN WALLACE: I'm sorry, Item 2 is approval of
9 the minutes, I'm jumping into Item 3. You have all been sent
10 the minutes. I would entertain a motion to approve, amend or
11 what have you.

12 MR. MOZILO: I will move the minutes to be
13 approved.

14 MS. HAWKINS: I will second it. This is Carrie
15 Hawkins.

16 CHAIRMAN WALLACE: I started to say *logistics* and
17 it is already necessary. When you speak would you please
18 announce, this is Angelo or Angela or whomever. Tell us so
19 that everybody knows because a number of you are on telephone
20 connections. And I think that was Angelo, was it not?

21 MR. MOZILO: That is correct.

22 CHAIRMAN WALLACE: And was it Carrie?

23 MS. HAWKINS: Yes.

24 CHAIRMAN WALLACE: With the second on the minutes?

25 MS. HAWKINS: Yes.

 CHAIRMAN WALLACE: Any corrections, additions,
changes, deletions? Hearing none, any discussion here or

1 anywhere on the motion to approve the minutes as submitted?

2 Hearing and seeing none, secretary, call the roll.

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

4 MS. PETERSON: Aye.

5 MS. OJIMA: Mr. Czuker?

6 MR. CZUKER: Aye.

7 MS. OJIMA: Ms. Easton?

8 MS. EASTON: Aye.

9 MS. OJIMA: Ms. Hawkins?

10 MS. HAWKINS: Aye.

11 MS. OJIMA: Mr. Hobbs?

12 MR. HOBBS: Aye.

13 MS. OJIMA: Mr. Klein?

14 MR. KLEIN: Aye.

15 MS. OJIMA: Mr. Mozilo?

16 MR. MOZILO: Aye.

17 MS. OJIMA: Mr. Wallace?

18 CHAIRMAN WALLACE: Aye.

19 MS. OJIMA: The minutes have been approved.

20 CHAIRMAN WALLACE: The minutes of our June 26--it

21 says 2002 but I hope we are still in 2001 because I do not

22 want to be that old yet--have been approved.

23 **CHAIRMAN/ DIRECTOR COMMENTS**

24 Okay, moving to Item 3, Chairman/Executive Director

25 Comments. I have got a couple, Terri has got a few items and

1 I want to call on Tom to give us a little bit of legal update
2 on a couple of items.

3 As far as my report: We had the CAR meeting, the
4 meeting with CAR on August 17 here in our Sacramento offices.

5 Pretty good exchange. There were a number of Board Members
6 there including Angelo, Bob and myself and senior staff. We
7 had a fair exchange, a reasonable exchange, and I did receive
8 a letter later that day from Gary Thomas, the president of
9 CAR, which you may or may not have seen, Board Members. But
10 we kind of left it that CAR was using old data. Our 2000 --

11 MS. PARKER: 2000/2001 Business Plan.

12 CHAIRMAN WALLACE: -- Business Plan. It was a year
13 out of date. There have been significant additional things
14 that we have done in the ensuing period. We asked them to go
15 back and outline what they felt we should be doing based on
16 looking at our current business plan. So Gary Thomas has
17 written saying, we agreed to exchange letters. Well, we
18 exchanged our current Business Plan with them and we have yet
19 to hear back from them, which was supposed to come within 30
20 days by his own letter. Then we would consider meeting again
21 in plus-or-minus 60 days to follow up.

22 That being the case, we have not -- Terri has
23 called Joel Singer, their executive VP, two or three times
24 and Joel has been tied up. Alex Creel, their senior
25 legislative advocate did call Terri back on behalf of Joel

1 yesterday and kind of cleared the air. That is an ongoing
2 work in progress.

3 We have yet to receive what I think all of the CHFA
4 members at that August 17 meeting felt was kind of a
5 recitation of what CAR thought we should be trying to
6 accomplish, short of a statutory change as contained in their
7 bill proposal which is kind of hung up in the Legislature.
8 It is a two-year bill. It may or may not go anywhere. School
9 is still out in that connection.

10 And to the degree we could accommodate them, CAR,
11 short of doing it statutorily, taking away CaHLIF from CHFA,
12 which is what their bill basically calls for, we are going to
13 try to do so. That was the thrust of the CHFA posture at the
14 meeting and continued opposition to their bill. Any
15 questions on that, on the CAR issue?

16 Okay, moving on. We have been requested -- You
17 will recall in the Burbank meeting, maybe six months ago,
18 Mr. Vincent Joseph -- Is he there, Ed or Angela?

19 MR. CZUKER: No.

20 CHAIRMAN WALLACE: Okay. There has been an ongoing
21 dialogue between senior staff, particularly legal, myself,
22 with Mr. Joseph. He was not happy with our report back to
23 him and various things relating to that. To affect closure I
24 wrote him a letter on October 4 saying, in essence, while you
25 dispute our investigation and our findings that were recited

1 in the letter -- By the way, he wrote the Governor. The
2 Governor turned it over to HCD and they wrote him a letter
3 which essentially said many of the same things that we had
4 said but from a different perspective. The bottom line is
5 that even if we agreed or did not agree with his letter
6 and/or he disagreed with our investigation and conclusions,
7 we just do not have the ability to forgive his loan. Which I
8 have discussed with him personally. I know you have, Tom.

9 MR. HUGHES: Yes, sir.

10 CHAIRMAN WALLACE: He just does not qualify for
11 forgiveness. As a result it is almost -- I should not say
12 *irrelevant* but it is almost an idle act to go further. I
13 told him in my October 4 letter that because we hadn't the
14 ability to forgive the loan for all kinds of reasons that we
15 considered the matter concluded. He asked that his
16 documentation of his case, his requests, his letters, his
17 exhibits, be included in the record of a Board Meeting and I
18 see no problem. Tom, Terri and I agree that there is no
19 problem with including about a half- to three-quarter-inch
20 file in exchange, which includes our investigation, letters
21 to/from and so on from stem to stern. So I recommend that,
22 or I hereby ordain, if I can, that this record of the Vincent
23 Joseph case be included in the record of this Board Meeting.
24 I don't think we need an action on that, do we?

25 MR. HUGHES: No, there is no action to be taken.

1 CHAIRMAN WALLACE: Counsel says we do not. So that
2 file will be included in the record. Armed with that, Terri,
3 I know you have a few items so you are on.

4 MS. PARKER: Okay, Mr. Chairman. I do have kind of
5 a long list but I will try to go through it. I think some of
6 the things I have to say are good points to be sharing with
7 all of you. I do want to acknowledge our appreciation for
8 being able to get hold of all of you. Obviously, we
9 cancelled the September 13 Board because of the events of
10 September 11. We would like to tell all of you that we were
11 in contact with our colleagues both in New York and
12 Washington and we wanted to report to you that they are all
13 safe, which, obviously, is very good news, and are
14 continuing, particularly our bankers in New York, to be on
15 top of everything that is needed to provide good customer
16 service to CHFA to continue our work and our lending ability
17 to our customers.

18 The meeting today, and this use of
19 teleconferencing, is really an interim step until we,
20 hopefully everyone, gets a little bit back to normal. We
21 scheduled this meeting to accommodate those projects that
22 really could not wait until our next November Board Meeting.

23 So there are some projects that we will not hear today that
24 were in your Board Book; they will continue to be in the
25 pipeline. To the extent that they are ready we will be

having them at our next regularly scheduled meeting. If there's any questions about that Linn can certainly speak to it when he goes through what projects we will be considering.

There is, in the binder, a Leg. report by Di. I do want to just point out the good news about that; that is the CHFA-sponsored legislation this year that we put forward to increase our bond cap, was signed by the Governor, so we have authority to issue \$2.2 billion more worth of bonds moving forward. So we certainly see that we will continue to be in business and we do not have to have any fear that we will edge up against our bond cap, and in that sense, create any sort of problems with being able to serve our customers.

As Clark did mention, the CaHLIF bill did not move out of the Assembly, AB 999. We will continue to watch that.

Staff has made contact with CAR to do a full briefing on what the CaHLIF business plan is. Meanwhile, from the staff's perspective and from the programs perspective, we are continuing to look at new programs or products that John could be developing, including a concept that we are in discussions with Countrywide about, that we hope will be a new product that CaHLIF can offer. As that develops, we will continue to bring that back to the Board for further discussion. But we wanted to let you know that irrespective of what is going on, we are continuing to look at ways that we can utilize that program because of the housing need in

1 the state.

2 The next item I want to chat a little bit about is
3 personnel. That's sort of good news/bad news. When Linn
4 goes through the items today he will not have his trusty
5 colleague, Jim Liska, Mr. Liska has left us. He has been
6 recruited to go back to the private sector. Linn is
7 continuing to be recruiting for both Sacramento and Los
8 Angeles for a few good underwriters so we will be keeping you
9 apprised of that.

10 The good news, though, is that we have hired some
11 marketing staff. I would introduce our new marketing
12 director but she asked for -- When she came here she had not
13 taken any vacation from her prior job as being the person
14 responsible at the lottery for the television campaigns. Her
15 name is Dawn Hulbert. At the next meeting she will be here
16 and I will introduce you to her. She has a very good private
17 sector background in marketing and advertisement and I think
18 she is going to be an excellent addition to CHFA.

19 She has already hired--the most important thing--
20 hired a number two person to work with her and Karen, a
21 person who has a very good, strong background in writing and
22 press releases and articles. Dawn, during her couple of
23 short weeks here has already done a number of things for us.
24 We have gotten two, three or four press releases out,
25 articles in different newspapers, whether it be about our new

1 teachers program, our new high-cost area program in the Bay
2 Area or the rate reductions that we currently have out on the
3 streets. We are getting our message out in a way that we
4 have not been able to do in the past and I think we have just
5 begun. Dawn, when she returns, one of her first activities
6 will be to do strategic planning for the marketing division.

7 Another good news item is that the NCSHA fall
8 meeting was held in Boston a little more than a week ago. As
9 we do every year, we submit some of our best program ideas in
10 their competition for awards of program excellence. Once
11 again CHFA has been successful in having our programs
12 recognized at a national level for their contributions. We
13 received two awards of program excellence, one in the rental
14 preservation and rehabilitation area for our 501(c)(3)
15 program that Mr. Warren and his staff developed and have been
16 very successful, and the other one for our HELP program,
17 which we clearly think of being an innovative program, won in
18 the category for management innovation.

19 We have certainly congratulated the staff but want
20 to share with the Board Members, that we continue to have
21 nationally award-winning programs. This, basically, is our
22 ninth and tenth award in the last five years so we have been
23 very effective in having NCSHA recognize our programs.

24 CHAIRMAN WALLACE: It's because of the fine Board
25 we have.

1 MS. PARKER: It takes good leadership. I also want
2 to point out that we are following the market for our
3 customers and doing rate reductions. Our home ownership
4 rates on the street now for high-cost areas are at 5.25
5 percent for low incomes and 5.75 percent for moderate.
6 Statewide our rates are 5.5 and 6 percent. So for 97 percent
7 loans in many areas, 3 percent down payment assistance, we
8 are continuing, even in this environment of a slowdown, to
9 have four and five million dollar days. We also just
10 announced a reduction in our rental rates from 5.7 percent
11 out on the street to 5.5. That will be effective, moving
12 forward, with the next CDLAC round, so we will see what kind
13 of business we are going to do with those rates.

14 A couple of last things, just to let you know, more
15 on a broader note-- We had a briefing last week by the
16 Department of Finance and it should not be any great surprise
17 to anybody that the economy in California has been softening.
18 We were actually seeing it sort of wavering when they
19 finished the budget that was enacted effective the first of
20 July. That budget that was enacted actually had a structural
21 unbalance of about \$3 billion so the Department of Finance is
22 looking at building the budget for next year of having to,
23 essentially, perhaps, make some reductions.

24 Since that time, they have been tracking revenues
25 and the first quarter of revenues through September are down

1 \$600 million from forecasts. So they have, essentially,
2 alerted departments that they are going to have to look at
3 making some very conservative or necessary cuts, particularly
4 in discretionary programs. Housing is considered a
5 discretionary program. CHFA does not have any general fund
6 money, for all intents and purposes, any longer, but HCD
7 does, and we will be working with our colleagues in HCD to
8 see, as their budget is developed and presented to the
9 Legislature on January 10, where CHFA can essentially
10 continue to come in and play a significant role if housing
11 general fund dollars continue to climb.

12 We are trying to, again, work on the programs that
13 we have. We are happy to report that our new teachers loan
14 program has 19 reservations to date and we will, essentially,
15 continue to keep the Board apprised of how we are doing in
16 implementing our new Business Plan.

17 The one last item that I want to touch on. . .
18 I mentioned at our last Board Meeting that the staff wanted
19 to come back to you to present, perhaps, a delegated
20 authority for some kind of loans that we do that are more
21 plain vanilla, that are of a lower dollar amount. We will
22 probably be doing that at our November meeting when we have a
23 chance to all meet again. But I do think that -- The last
24 item I want to refer to Tom. It is a report on D&O
25 insurance.

CHAIRMAN WALLACE: That delegated authority was on
2 multifamily?

3 MS. PARKER: Correct.

4 MR. WARREN: Yes.

CHAIRMAN WALLACE: Tom, you had insurance and
6 ethics.

MR. HUGHES: Okay, thank you, Mr. Chairman. In one
8 of the previous meetings, I believe in June, we had revisited
9 the issue of the directors and officers insurance. In the
10 interim, we have been working, and we have had two brokers
13 working, on getting bids from the insurance markets on this
12 coverage. I think we will be prepared at the next regular
November meeting to discuss this at greater length and
14 present a recommendation.

15 But as an update, I would say that the insurance
16 markets have looked at us rather differently than was
17 predicted. One broker put this out to nine different
18 carriers and was unable to get a bid from any of them to
19 cover us. A second broker that I have worked with has gotten
20 a bid which was actually--which I have not seen yet, it was
21 supposed to be faxed in this morning--but the early
22 indications are that the premium amounts that would be paid
23 under this bid significantly exceed what we had discussed in
24 the prior meetings.

25 CHAIRMAN WALLACE: Significantly?

1 MR. HUGHES: Yes. The early indication--and again,
2 I have not seen it yet--but the early indication is two to
3 four times what we thought it might be, depending on the
4 level of coverage.

5 CHAIRMAN WALLACE: We were thinking \$50,000?

6 MR. HUGHES: Originally the prediction was that
7 they would come back with a policy premium of about \$25,000
8 and it look-s to be somewhere in the \$50,000 to \$100,000
9 range. I do not have the policy limits information yet on
10 that. It seems to be, as best I can determine, that CHFA is
11 an unusual entity for the purposes of writing this insurance
12 and at least the one bid that we did get is predicated on
13 underwriting the Agency, essentially, as a large nonprofit.
14 The D&O coverage is written together with employment
15 practices and the employment practices portion of that
16 coverage, is my understanding, makes the coverage more
17 expensive than might otherwise be the case.

18 CHAIRMAN WALLACE: And we really don't need that
19 but they are not going to sell us D&O without that.

20 MR. HUGHES: Yes. We are not able to get the
21 quotes segregated. As I said, we only have gotten one
22 carrier to even make any kind of proposal along those lines.
23 So I think where we stand today is that we will have at
24 least one proposal, possibly two, to consider at the November
25 meeting but that the parameters that we have laid down may

1 not be fully met by what the market is actually proposing so
2 we will update the Board and present something at the next
3 meeting to flesh that out.

4 CHAIRMAN WALLACE: Any questions from the Board on
5 that?-- i.e., we are waiting until Tom gets all the facts in
6 and he will come back at the next meeting. Bob.

7 MR. KLEIN: Could you refresh my recollection on
8 why it is that we are outside of employment practices
9 insurance requirements? Do we have an exemption from
10 employment practices? What is the issue there? Why don't we
11 need that coverage?

12 MR. HUGHES: Well, I think what the markets are
13 saying is that when they write these policies they write a
14 policy that covers both directors and officers and employment
15 practices. The employment practices appears to be the
16 component of the insurance that is significantly increasing
17 the cost beyond what we thought. The initial report that we
18 had gotten from our broker was that we would be able to get
19 both coverages together for about \$25,000 and that does not
20 appear to be the case. Whether there is a need for
21 employment practices, is an open issue. The Board's primary
22 concern was with the directors and officers, but the market
23 is not writing these policies separately for us, as we had
24 looked into.

25 MR. KLEIN: Okay.

1 MS. PARKER: That concludes our report,
4 Mr. Chairman.

CHAIRMAN WALLACE: No, it doesn't, quite, excuse
4 me. Tom had one more on --

5 MS. PARKER: That's right.

6 MR. HUGHES: The other informational update is the
7 Administration's new approach towards agency ethics issues.
8 The Administration had each agency appoint an ethics officer
9 to implement new ethics awareness and programs that may be in
10 the works and I have been designated as the Agency's ethics
11 officer.

12 CHAIRMAN WALLACE: That's why we call you Lucky
13 Tom.

14 MR. HUGHES: That's absolutely correct,
15 Mr. Chairman. The parameters of what this program will be
16 and the practical effect are very much a work in progress. I
17 have been to a meeting at the Governor's office and we have
18 one at Business, Transportation and Housing later this week
19 and I think the details will need to be fleshed out a bit.
20 But at its core, the Administration is asking for an
21 increased awareness of ethics issues, particularly with
22 respect to the conflicts that may exist and the reporting on
23 the form 700s, and has also asked the agencies to consider
24 whether higher standards than the minimum legal standards
25 might be appropriate in certain instances.

1 So that is something we will be participating in
2 and developing policies on. Certainly, at the Board level,
3 we will filter down to Board Members as we work together to
4 do the reporting requirements what each Board Member and
5 senior staff and others need to do.

6 CHAIRMAN WALLACE: Thank you, Tom. Terri,
7 congratulations to you and the staff for continued excellence
8 on the NCSHA awards and so on. I said facetiously, because
9 we had a good Board, but the truth is we have got a great
10 staff. So you are to continue to be commended. Also, a
11 reminder on ethics. We have to all, as Board Members, have
12 our annual ethics schooling; the video, or if you want to
13 read that thick packet or if you want to do it on your
14 computer. One way or another, I think it is the end of this
15 month, isn't it? November 1, isn't that the target?

16 MR. HUGHES: Isn't the date --

17 CHAIRMAN WALLACE: I'm pretty sure it is. Because
18 I know I have not done mine and I keep looking at that date.
19 I think it's November 1, JoJo.

20 MS. OJIMA: It was --

21 CHAIRMAN WALLACE: Are you going to tell me it was
22 October 1?

23 MS. OJIMA: No. I thought it was the end of the
24 year, before 2002.

25 MS. PARKER: I think it is the end of the year.

1 CHAIRMAN WALLACE: Merry Christmas.

2 MS. OJIMA: I know we will do it --

3 CHAIRMAN WALLACE: Would you clarify that before we
4 sign off.

5 MR. HUGHES: Yes.

6 CHAIRMAN WALLACE: Can you have somebody double-
7 check here this morning. Because if it is November 1, I
8 don't want to --

9 MS. PARKER: Be late.

10 CHAIRMAN WALLACE: We don't want to miss that date.

11 MR. KLEIN: Given Mr. Jim Liska's departure from
12 the Agency, given he has been here for a number of years, are
13 we going to do a special certificate of appreciation or
14 something to recognize all of his service?

15 MS. PARKER: We would be delighted to have a letter
16 from the Board to Mr. Liska. We did pizza for him from a
17 staff perspective (laughter) but I'm sure he would very much
18 enjoy having something from the Board.

19 MR. WARREN: Bob, thank you for mentioning it, and
20 we have talked about that among ourselves. As many of you
21 know, Jim is the sort of person that in most cases would
22 prefer pizza, but he would be very pleased with that and we
23 will see to that. Thank you, that's a very nice thought,
24 Bob.

25 MS. PARKER: I was hoping that by mentioning it

1 there would be -- We have been fortunate enough at this
2 Agency to not have a huge turnover. We would like to be able
3 to have more staff, but we certainly have been very diligent
4 in trying to keep who we have. Jim has done a tremendous
5 business to the Agency and I think he would very much
6 appreciate something from all of you.

7 CHAIRMAN WALLACE: Let's consider it done.

8 MS. PARKER: Okay.

9 MR. KLEIN: Do we need to have a resolution of
10 appreciation or anything?

11 MS. PARKER: I think given your direction what we
12 will do is draft a letter to be signed by the Chair to
13 Mr. Liska.

14 MR. KLEIN: Okay. The other related item is that
15 since we are continuing to illustrate how private sector
16 salaries for our top people are much higher--and I understand
17 his compensation is in fact much higher on the outside--and
18 the tremendous value to us of having the continuity of the
19 dedicated staff that is part of this Agency, I would hope we
20 would go forward on completing a competitive staff salary
21 range so that the Board can address the issue of how we are
22 really going to make our salaries and benefits more
23 competitive against the outside.

24 I realize there's lots of barriers with the civil
25 service system but we are performing through our staff an

1 extremely important function. The awards testify to the
2 excellence of that function. I think the Board is going to
3 have to serve as an advocate to really get the level of staff
4 specialization and the character of their contribution
5 recognized in different staffing levels or civil service
6 levels/pay levels. Somehow we have to address this issue if
7 we are going to retain people that are so important to our
8 performance.

9 MS. PARKER: I think Jackie had mentioned at our
10 last meeting, Mr. Klein, that we are continuing to gather
11 data that would support that. Basically, in order for us to
12 do anything along those lines we have to demonstrate that we
13 cannot hire within the salary limitations that we currently
14 have. So to the extent that we go out and do exams, if we
15 are not able to demonstrate that there are candidates in
16 those exams that are qualified, that presents the data, the
17 evidence that would be necessary for us to support any kind
18 of realignment by the Department of Personnel Administration.

19 But I know that Mr. Warren is also very actively
20 involved in talking to people in the industry and seeing if
21 there are a few good people. We have been lucky. It took us
22 quite a while, obviously, from the marketing standpoint, but
23 we were able to find someone within our salaries. So we are
24 continuing to gather the data, but also see if there are a
25 few good people out there that we can demonstrate that

1 working for CHFA would be, from their perspective, a good
2 source of employment for them to enjoy that work and what
3 could be accomplished through us. We are going both
4 directions.

5 MR. KLEIN: Okay. Thank you very much.

6 CHAIRMAN WALLACE: Are there any questions from the
7 Board relative to any of the subjects on Item 3 that either
8 Terri, Tom or I have discussed? From any of the non-Board
9 members, either here or down south? Any discussion, any
10 questions? Okay, let's move on to the projects. Item 4,
11 Linn, you are carrying the whole weight on your shoulders.

12 RESOLUTION 01-29

13 MR. WARREN: No, I'm not, Mr. Chairman. In spite
14 of my good friend Jim leaving, we have excellent staff at
15 CHFA, two of which are here today, Laura Whittall-Scherfee,
16 who has been a loan officer with us for approximately a year
17 -- and I have known Laura -- Laura and I worked together at a
18 prior bank. I have known Laura for a long time. Two prior
19 banks, Laura corrects me. She is a very accomplished
20 mortgage officer, and Kathy Weremiuk, who the Board has seen
21 before, is also here. The staff is carrying forward and we
22 are maintaining our commitments. We are looking for folks
23 but we are doing fine right now, thank you.

24 We have just a few projects for you today so we
25 will go forward. The first is Union Court Apartments in

1 Manteca. This is a first loan request for \$1,295,000, a bond
2 re-funding interest rate of 5.9 percent, 30-year fixed. I
3 have a couple of small material changes in this to point out
4 to the Board. On page 840 of your materials, a couple of
5 things: First, under Lender Sources there is the category of
6 Other Loans. That is MHP and is consistent with the loan
7 summary on page 839. Also you will notice that the
8 materials, the Sources and Uses are not in balance. The
9 correct number for the Sources is \$8,496,015, the number on
10 the materials that changed is the deferred developer fee,
11 which should be \$334,576. The only other --

12 CHAIRMAN WALLACE: Give us those one more time.

13 MR. WARREN: I'm sorry.

14 CHAIRMAN WALLACE: Total Sources?

15 MR. WARREN: Total Sources should be \$8,496,015.

16 And we will have substitute pages for the materials,
17 Mr. Chairman, after the meeting.

18 CHAIRMAN WALLACE: Okay.

19 MR. WARREN: And then on page 839, if you will look
20 at the Unit Mix Summary you will see there are 12 units that
21 are labeled Market. Those are indeed 60 percent of median
22 income and not market. Again, we will have replacement pages
23 for the final minutes. Okay. With that aside, let me
24 proceed. Again, this is a first loan request. As you can
25 tell from the materials, there is a very large locality

1 involvement. We have a locality-financed loan in excess of
2 \$2.5 million as well as San Joaquin County HOME funds for
3 \$295,000. I will have Laura explain this project more fully
4 but this is basically a blighted project, a blighted site, in
5 a fairly good area that the City of Manteca wishes to focus
6 most of its resources on. So Laura, if you will run through
7 the rehab and other issues.

8 MS. WHITTALL-SCHERFEE: This is a major rehab
9 project. The estimated rehab costs for this project are
10 \$3,430,873, or \$50,540 a unit. What the goal is, is to bring
11 this project up to the neighborhood. There has been an
12 incredible amount of support, both from the neighbors, for
13 this project, and from the city. This project has known some
14 very difficult ownership issues. It was foreclosed on and
15 the City of Manteca took it over and now Eden Housing owns
16 the project.

17 There are some major rehab issues that need to be
18 dealt with, not the least of which are new roofs, new car
19 ports. There is a community center that sits right in the
20 center of the project and it shields the back parking lot and
21 it has been the source of a lot of ongoing problems. Part of
22 what they are going to do is they are going to move -- They
23 are demolishing that existing community center and they are
24 moving it to another part of the project where it will be
25 much more accessible. It will also provide a lot more

1 visibility for the manager so that she can watch the parking
2 lots and make sure that things are not happening there that
3 have been happening in the past.

4 There was an asbestos, a lead-based paint and a
5 mold survey. There is a mold problem because pipes burst and
6 the units were not repaired. Those units are vacant. There
7 are 25 vacant units currently. Eden Housing has made no
8 attempts to rent those units. The goal is to do the rehab
9 and then move tenants into the newly rehabbed units. That
10 way you do not have to continually relocate.

11 The lead-based paint is on the outside of the
12 building. The tests show that it is not inside the building
13 so when the exterior is painted it will be encapsulated.
14 Asbestos is going to be removed as part of the rehab. There
15 are going to be new kitchen counters, new cabinets, new
16 sinks, bathrooms, and the water heaters are going to be
17 repaired. There's new playground structures, new balconies,
18 new railings, new pre-fab metal stairs. It's going to be a
19 major rehab.

20 There's also going to be some relocation. In spite
21 of the fact that they are using 25 vacant units to kind of do
22 a rolling rehab there are 17 families, it's estimated, that
23 need to be relocated. There's an estimated relocation budget
24 of \$374,000 and Eden has hired a relocation consultant. The
25 consulting firm is Pacific Relocation Consultants. Sixteen

1 families are over income and one is too large. They are
2 starting the relocation right now. They estimate that the
3 relocation will be completed by the end of January 2002.

4 This project is in Manteca which is a very
5 residential area; it's a residential-type city. Over two-
6 thirds of the city is residential and this project is
7 definitely in the residential area. Manteca has a growth
8 management program and that limits residential growth to 3.9
9 percent of the housing stock. Their general plan also
10 requires an 80/20 ratio of single-family housing to
11 multifamily residential development.

12 The supply of affordable housing in Manteca is
13 limited, at best. There are no tax credit projects in
14 Manteca. To find tax credit projects you need to go to Tracy
15 or to Stockton. There is one rent-restricted HUD project,
16 Vernal Apartments. It's a 54 unit apartment project; it's
17 been there for over 20 years. There is one proposed market
18 rate project that is under consideration and that is for 15
19 units. In your package it talked about a senior tax credit
20 project that Eden was proposing. It's actually a 202 project
21 now. It's 50 units and it received an award to be a 202.

22 The redevelopment agency in Manteca is very active
23 in spite of what it sounds like, but their focus has been, in
24 the past, the production and rehabilitation of detached
25 single family homes for purchase, so there's been very little,

1 activity in the rental housing market.

2 As you might expect, demand for affordable housing,
3 affordable rental housing in Manteca, is very, very strong.
4 Market rate projects also have very low vacancies. In
5 Manteca, Tracy and Stockton it is less than a one percent
6 vacancy, cumulatively. There are three tax credit projects
7 that were reviewed in Stockton and Tracy and they had zero
8 percent vacancies and they all have one- to two-year waiting
9 lists. There are also 7,000 people on the waiting list for
10 the Housing Authority of San Joaquin County for Section 8
11 vouchers so there is definitely a need for this project. The
12 estimated absorption period for the remaining units that
13 could become vacant, for these 25 vacant units, is one month
14 after the completion of the rehab.

15 Precision is going to be the general contractor.
16 Eden Housing intends to start construction in mid-to late-
17 November on the rehab.

18 MR. WARREN: Okay.

19 CHAIRMAN WALLACE: Laura, the vacancies, currently
20 25, have been kind of self --

21 MS. WHITTALL-SCHERFEE: Yes.

22 CHAIRMAN WALLACE: I mean, it doesn't sound like a
23 market issue.

24 MS. WHITTALL-SCHERFEE: No, it's not. They have
21 intentionally kept them vacant so they could do rolling

1 rehab.

2 CHAIRMAN WALLACE: Because of the mold.

3 MS. WHITTALL-SCHERFEE: And because some of the
4 units are uninhabitable with the mold.

5 CHAIRMAN WALLACE: So that when you have got a 40
6 percent vacancy, and in your pro forma you show a 5 percent,
7 maybe with the kind of demand that you are talking about --

8 MS. WHITTALL-SCHERFEE: That's temporary. There's
9 not going to be -- There will not be 25 vacant units when
10 this rehab is done.

11 CHAIRMAN WALLACE: Thank you.

12 MR. WARREN: A couple of additional notes:
13 Obviously, on the environmental, all the issues have been
14 identified but there will be an O&M plan for any materials
15 that are remaining. As Laura mentioned, the sponsor is Eden
16 Housing, who we have dealt with on numerous other projects.
17 Eden not only sponsors, but they also manage their
18 properties. It has been pointed out that this is a tax
19 credit transaction.

20 There is a fairly large debt coverage ratio on this
21 and there is the potential, obviously, in that situation that
22 if the debt coverage ratios continue at such a high level it
23 could impact the four percent credits. We have advised the
24 borrower of that. As Laura has noted, this is almost in
25 excess of a \$50,000 per unit rehab. We think we are

1 adequately reserved but, obviously, there may be increases in
2 the loan in the future, depending on what is found.

3 So with that we think this is certainly a very
4 worthwhile project. From a risk standpoint we have a very
5 low debt coverage, LTV among the cost ratios. We recommend
6 approval, be happy to answer any questions.

7 CHAIRMAN WALLACE: Questions from the Board? Yes,
8 Bob.

9 MR. KLEIN: I noticed that you have built into your
10 revenue projections a 2.5 percent a year increase. One might
11 well find grounds in the recent economy to be more
12 conservative and not have any increases for the first two or
13 three years, as Fannie Mae might, particularly given the
14 Central Valley. That might correct the debt service coverage
15 and bring it down to a level that you typically see, closer
16 to 1.25 with tax credit projects. Fortunately, you have the
17 room here. Particularly Manteca, Central California, in
18 recessionary periods you have seen a lot of very flat periods
19 without income increases that would generate the rent
20 increases. I would be interested to know why debt service
21 coverage goes negative at the end. I would take it, it's
22 because of worst-case carry-out of operating cost increases.

23 MR. WARREN: That is. And I think if you look at
24 the -- just to double-check. The expense increases are going
25 up at four. Obviously, if you have that kind of a level at

1 the back end of the loan it does happen. Projects like
2 these, particularly in the Valley, have a tendency to level
3 themselves out.

4 Let me just comment on the expense increases for a
5 minute, Mr. Klein, I think that's important. One trend that
6 we have seen in the last several years in the Central Valley,
7 particularly Stockton on down, has been the pressures coming
8 from the East Bay over the hills that have really driven up
9 rents. It will be very interesting to see whether that trend
10 will continue given what has happened in Santa Clara and the
11 East Bay, so we may be back to a situation in the Central
12 Valley underwriting --

13 And these pro formas, which we have been working on
14 Union Court for several months now so they may reflect some
15 prior thinking, but it's entirely possible that in the future
16 with the decline of demand of the people coming over the
17 pass, if you will, may be back to the more traditional
18 underwriting for Central Valley projects, which is flat.
19 Sideways in some cases.

20 CHAIRMAN WALLACE: Any further questions? Jeanne.

21 MS. PETERSON: Yes-- and just to comment to
22 Mr. Klein's comment that, actually, TCAC has its own
23 underwriting standards that include trending so the issue
24 that has been raised about the tax credits, perhaps being
25 reduced based on such a high debt service coverage ratio,

3 would still apply so long as TCAC's underwriting standards
2 for trending are the same.

- MR. KLEIN: Right.

4 MS. PETERSON: That is something that we can be
5 looking at as well on the TCAC underwriting side. I had two
6 questions. One was that you said on page 839 the 12 units
7 that said they were market rate should really be 60 percent.

8 So are the 5 units, then, still at market rate?

4 MR. WARREN: Yes, they are.

10 MS. PETERSON: There's still five for market rate.
11 The other question I had, had to do with the relocation
12 budget, which did not seem to show up anywhere. I wondered
13 why it is not an enumerated Use.

14 MS. WHITTALL-SCHERFEE: It's been a Use that has
15 been rolled into a subtotal.

16 MR. WARREN: Another category.

17 MS. WHITTALL-SCHERFEE: In the future -- In the
18 future we can separate that out.

19 MS. PETERSON: So it exists somewhere but we don't
20 know where?

21 MR. WARREN: I believe it's --

22 MS. WHITTALL-SCHERFEE: It's in the TCAC Other
23 Costs category of \$501,690.

24 MS. PETERSON: And it is -- How much is the --

25 MS. WHITTALL-SCHERFEE: It's \$374,000.

1 MS. PETERSON: Okay.

2 CHAIRMAN WALLACE: That it, Jeanne?

3 MS. PETERSON: Yes, thank you.

4 CHAIRMAN WALLACE: Any further questions from the
5 Board?

6 MR. HOBBS: Mr. Chairman, Ken Hobbs here.

7 CHAIRMAN WALLACE: Yes, Ken.

8 MR. HOBBS: I have one question relative to the re-
9 fund, CHFA's involvement in the re-fund of the local bond
10 issue.

11 CHAIRMAN WALLACE: Okay.

12 MR. HOBBS: Other than Union Court Apartments, are
13 there other projects involved in that local bond issue?

14 MR. WARREN: I do not think so. I think it's a
15 stand-alone bond issue, Mr. Hobbs.

16 MS. WHITTALL-SCHERFEE: Yes.

17 MR. WARREN: It's a stand-alone bond issue, Laura
18 informs me. I believe it's a private placement with Wells
19 Fargo.

20 MS. WHITTALL-SCHERFEE: Yes, Wells Fargo.

21 MR. WARREN: Yes, the material indicates Wells
22 Fargo. This is a private placement stand-alone bond issue
23 with Wells. In the re-funding we would then, basically, take
24 out the Wells Fargo position after 18 months.

25 MR. HOBBS: That makes sense, thank you.

1 CHAIRMAN WALLACE: Any other questions from the
2 Board or from any other participants near and far? Hearing
3 none the Chair will entertain a motion of whatever you
4 please. .

5 MR. CZUKER: So moved.

6 CHAIRMAN WALLACE: Was it Ed?

7 MR. CZUKER: Yes.

8 MR. HOBBS: I'll second; this is Ken.

9 CHAIRMAN WALLACE: Moved by Czucker and seconded by
10 Hobbs. Any questions on the motion? Hearing and seeing
11 none, secretary, call the roll, please.

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

13 MS. PETERSON: Aye.

14 MS. OJIMA: Ms. Nevis?

15 MS. NEVIS: Aye.

16 MS. OJIMA: Mr. Czucker?

17 MR. CZUKER: Aye.

18 MS. OJIMA: Ms. Easton?

19 MS. EASTON: Aye.

20 MS. OJIMA: Ms. Hawkins?

21 MS. HAWKINS: Aye.

22 MS. OJIMA: Mr. Hobbs?

23 MR. HOBBS: Aye.

24 MS. OJIMA: Mr. Klein?

25 MR. KLEIN: Aye.

1 MS. OJIMA: Mr. Mozilo?

2 MR. MOZILO: Aye.

3 MS. OJIMA: Mr. Wallace?

4 CHAIRMAN WALLACE: Aye.

5 MS. OJIMA: Resolution 01-29 has been approved.

6 CHAIRMAN WALLACE: Resolution 01-29 is hereby
7 approved. Linn.

8 RESOLUTION 01-31

9 MR. WARREN: Thank you, Mr. Chairman. Our nex
10 project for consideration is Life Services Alternatives.

11 CHAIRMAN WALLACE: What page is it?

12 MR. WARREN: Page 870 of your materials.

13 CHAIRMAN WALLACE: Okay.

14 MR. WARREN: We skipped over one or two.

15 CHAIRMAN WALLACE: Yes.

16 MR. WARREN: Life Services Alternatives is a
17 special needs project. It is somewhat of a departure from
18 others so let me give you all a little bit of background.
19 Kathy Weremiuk is here, who runs our special needs program
20 among others, and she will give us the detail. But the
21 initial funding request, the loan request, is for a first
22 loan in the amount of \$2.5 million at 1 percent under our
23 Special Needs program amortized over five years under
24 taxable, although we may elect to sell tax-exempt bonds on
25 this if we so choose. In addition to this we would advance

1 \$2.5 million through our Loan to Lender program at 1 percent,
2 two years interest-only, also taxable.

3 This project is a bit of a departure in that in
4 most other special needs projects that we have had, we have
5 relied upon project-based income to service the debt. This
6 is somewhat different in that this is a project we are doing
7 in conjunction with the Department of Developmental Services
8 and the Regional Center in San Jose and the Housing
9 Authority. The primary source of repayment for our debt is
10 the budgeted amount that is given through DDS to the regional
11 centers, which in turn is pledged to our debt service.

12 We were approached by the Housing Authority of
13 Santa Clara earlier this year. They are involved in a rather
14 large project on the site of the old Agnew Hospital, which
15 this special needs project is a part of it. Because of the
16 costs being so high--and we have done business with the
17 housing authority before and we have a lot of respect for
18 Matt Steinle (phonetic) and all of his folks down there.
19 Matt came to us, basically, and asked if we would look at
20 this because he had a tough development issue in that his
21 costs were so high and the financing for this particular
22 component of the Agnew site was proving very difficult. It
23 did not fit into the box that Matt and his folks normally do.
24 And Matt is very creative at doing financing but this one
25 was even outside of Matt's expertise.

1 So we looked at this and we said, clearly, that the
2 incomes that the tenants have, given the relatively small
3 size of the project, were insufficient. So in conjunction
4 with the Department of Developmental Services--and we have
5 Doctor Julie Mullen here who will, perhaps, give us some
6 background if we get an opportunity to talk about this--we
7 felt that the budget flows that go to the regional centers
8 were adequate given the relatively small amount of annual
9 debt service in comparison to the budget the redevelopment
10 centers have. Kathy will touch on that in a minute.

11 We also built in a reserve component which would
12 give us a year's worth of coverage should there be any delays
13 in budgetary appropriation. I'm going to stop right there
14 and let Kathy continue. She can give you more of the detail,
15 obviously, about the special needs component and how we
16 elected to structure the repayment of our debt. Kathy.

17 MS. WEREMIUK: Just one thing to start: We have
18 elected to go with the 501(c)(3) bonds so for the perm loans
19 on page 870, that will be a tax-exempt 501(c)(3) bond, and
20 there will be a change. The collaboration between DDS and
21 the regional center on this project is probably the most
22 significant fact that we need to disclose to you.

23 The San Andreas Regional Center currently has a
24 \$100 million annual budget. Sandy Rogers is here, who is the
25 executive director, of the regional center. They house

3 people in their developmental service centers, the old
2 hospitals, that cost about \$170,000 per year to keep in a
7 hospital setting. They need to move these people into a more
4 neighborhood-friendly and independent living setting.

5 When we talked through how we could possibly
6 structure that, what the San Andreas Regional Center was able
7 to do was use that \$170,000 they have per year for the first
8 five years of the project very creatively so that they are
9 contributing \$45,000 per person for debt service and
10 operating expenses and they have committed up to \$115,000 per
11 person for support services. That is 24-hour care per person
12 who will be the residents in this facility so that their
13 needs will be taken care of. They will be helped, they will
14 be assisted, but they will also be living in a lovely
15 setting. There is also about \$10,000 per person that comes
16 from SSI and those sources add up to the \$170,000.

17 What we worked out with the Department of
18 Developmental Services: Because they have an annual
19 appropriation issue they are not allowed to appropriate money
20 except on a yearly basis, but for developmentally disabled
21 people they are very close to an entitlement situation. They
22 have both the Lanterman Act and they have State Supreme Court
23 decisions enforcing that act which require the state to fund
24 developmentally disabled people in as independent a setting
25 as they can.

1 The Agency was willing to take some of that credit
2 risk and it has been structured as follows: DDS has already
3 gotten approval from the Department of General Services, I
4 believe they were given that today, for a budget amendment
5 for this year to allow them to give the San Andreas Regional
6 Center an additional \$675,000, which they will use as a
7 reserve when the construction loan closes, potentially next
8 month. Then per year they will be able -- They already have
9 the \$675,000 in their budget. Their budget amendment with
10 DDS allows it to be the very first expenditure out of their
11 \$100 million budget per year so that if they spend any
12 dollars the dollars they spend to us will come first.

13 The other thing that the San Andreas Regional
14 Center has is they have lines of credit, actually with the
15 lender bank in this instance, Union Bank, and they will be
16 able, if there are any shortfalls, which can sometimes occur
17 with the state between the end of the fiscal year and the
18 time that the new budget has been approved, they have the
19 ability to borrow funds to continue to meet both our debt
20 service and the operating expenses for the project.

21 So with that we agreed that we would do this with
22 DDS. The ability to do this over a five-year period turned
23 out very good for both the regional center, for DDS and for
24 us. We are in and out of this quickly and they know at the
25 end of the five-year period their costs will go down

1 significantly per resident, yet they will be improving the
2 lifestyle of the residents.

3 And I think that that's probably the project in a
4 nutshell. To describe the project itself, and there's some
5 pages here. It's part of 214 vacant acres of land in Santa
6 Clara, the largest expanse of vacant land that exists in that
7 town and in that county. It is already part of the Rivermark
8 Development. There will be, I think, 3,000 new homes built
9 there and interwoven into those homes will be 100 units of
10 senior housing that the housing authority currently is
11 building. They just gave the notice to proceed, I think
12 yesterday.

13 Our three buildings are on an acre of land in that
14 three-and-a-half acre campus with the senior facility and
15 they will be interplaced within the campus itself on separate
16 parcels. So people who live in the facilities will be able
17 to use the senior center in the senior buildings. They will
18 be able to walk through the landscaped grounds, they will be
19 able to go to the meal sites if they can access them and will
20 be part of a larger senior facility.

21 The site butts up to the Sun Microsystems building,
22 if people know that. It is in-between the Montague
23 Expressway and Agnew Road. The picture that we have here
24 shows the site. The area where you see the trees is really
25 where the senior center and the Life Services Alternatives

1 buildings will be built. In your packet there is also a
4 layout for the facility itself and also the elevations.

CHAIRMAN WALLACE: Good-looking project. Okay,
4 Linn.

5 MR. WARREN: Yes. Kathy, could you just take one
6 moment to describe how the interior of the building is laid
7 out because it is a little bit different than what we
8 normally do.

9 MS. WEREMIUK: These are going to be licensed
10 facilities. I think people need to know that. There will be
11 an individual room, and a very large individual room, per
12 resident. In the layout that you see, most of the center
13 area is an area where people will sit, meet, talk. All of
14 the furniture there is movable because people will be in
15 wheelchairs or other vehicles that will allow them to move
16 back and forth.

17 There are only two bathrooms in the facility but
18 the bathrooms are large and they allow for an attendant or
19 two attendants to help people take showers and to take baths.
20 There is also a library and a study area for staff and a
21 bathroom for staff and a laundry facility, a large kitchen
22 and pantry. There will be a veranda, an open-area-veranda in
23 the facility. Basically, the open area has movable pieces so
24 that people can move back and forth, then as home-like an
25 environment for people as possible within their individual

1 rooms but allowing space for the attendants who will be there
2 to assist them.

3 There is a great deal of parking for this facility
4 and that is because all of the people who attend the
5 residents will be visiting the facility as opposed to the
6 residents going out to other locations for medical, dental
7 and other services.

8 MR. WARREN: Okay. So with that, like I said, this
9 is a bit of a departure but it's certainly, in our opinion,
10 staff's opinion, a worthwhile project. We do enjoy the
11 collaboration with DDS and the housing authority. So with
12 that, Mr. Chairman, we would like to recommend approval, be
13 happy to answer any questions.

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

16 MR. KLEIN: I certainly believe it is a facility
17 that is well-designed and needed. What my questions relate
18 to are a couple of areas. One is that we have a cost in the
19 cost breakdown, which is on page 11 of this section, where
20 the acquisition cost is \$51,000. Is that per bed?

21 MS. WEREMIUK: It's per bed, yes.

22 MR. KLEIN: So it's \$250,000 per house?

23 MS. WEREMIUK: \$250,000 per house.

24 MR. KLEIN: The project is 3,000 units. I'm
25 concerned as to why there isn't an inclusionary zoning

1 requirement where there would be affordable housing fees
2 collected on the 3,000 units, which would allow us to
3 mitigate this land cost.

4 MS. WEREMIUK: The land cost was to the State of
5 California and I need to tell you that it has already been
6 paid. The property was purchased in August. That was a
7 reduced land cost. Rivermark is paying \$1.2 million per
8 acre. This is an acre of land. The Rivermark cost was
9 higher than that. The appraised value is twice this. It was
10 a question that we had but we know that it has already been
11 negotiated and it has already been paid. The redevelopment
12 authority has already issued the check to purchase it and
13 take it down.

14 MR. KLEIN: And as to the 3,000 other units. They
15 are not paying inclusionary or affordable housing fees on
16 each unit that is being developed?

17 MS. WEREMIUK: Kathy Robinson is here from the
18 housing authority and might be able to answer that question.

19 CHAIRMAN WALLACE: Kathy, I need you to get closer
20 to a microphone, maybe JoJo's, and announce who you are and
21 who you represent.

22 MS. ROBINSON: I'm Kathy Robinson; I'm with the
23 Housing Authority of the County of Santa Clara. The property
24 used to be, as Kathy described, part of the Agnew State
25 Hospital. The State of California owned the property and

1 decided to consolidate all the services that were on that
2 campus onto a second campus that is also in the general
3 vicinity and the land was declared surplus and for sale.

4 The City of Santa Clara did require that ten
5 percent of the units developed within the, basically, 200
6 acres be affordable and the housing authority was selected as
7 the entity to develop a little over 200 units of affordable
8 housing on this site. However, the City of Santa Clara does
9 not have an inclusionary zoning ordinance or a below-market
10 rate ordinance or anything that requires that the developer,
11 in addition, to contribute to the write-down of those housing
12 costs. The City of Santa Clara contributed redevelopment
13 agency funds in order to help subsidize, not only these
14 units, but the other 200 units that we are building.

15 CHAIRMAN WALLACE: Was there a problem? Ed, did
16 you get that?

17 MR. CZUKER: Yes, we heard.

18 CHAIRMAN WALLACE: Okay. Any other questions?
19 Thank you, Kathy.

20 MR. KLEIN: Yes. In terms of the 3,000 units.
21 Normally a city taking their full responsibility could
22 collect affordable housing fees on 3,000 units, particularly
23 at this location, that would make very material contributions
24 and effectively eliminate this land cost for a facility that
25 is such high-need, such as this one. I would hope that there

1 would be some kind of an advocacy-type communication possible
2 here because, certainly, the City of Santa Clara will come to
3 this Agency again.

4 But as compared to other cities and counties who
5 are contributing very significantly I'm sure it would make
6 the housing authority's job much easier if the city took more
7 responsibility in their inclusionary zoning requirements to
8 properly create a requirement on those new units to support
9 part of the costs for affordability. It appears that we are
10 subsidizing \$403,000 per year for 15 units. Part of those
11 loans burn off in two years and part in five years.

12 MS. WEREMIUK: Clarification. For the \$405,000,
13 our subsidy is over the seven years.

14 MR. KLEIN: Okay.

15 MS. WEREMIUK: It's not per year.

16 MR. KLEIN: That's a much better figure. I was
17 having indigestion.

18 MR. WARREN: No, no, no, that is for the term.

19 CHAIRMAN WALLACE: We excuse you for that.

20 MR. KLEIN: Yes. In terms of the five years. The
21 cash flows stop at five years. Do the subsidies all go away
22 at the end of five years?

23 MS. WEREMIUK: No, our loan ends after five years
24 so we don't run the cash flows for the years after. But the
25 contracts between the regional center and the developer and

1 the housing authority will stay in place. They will still
2 have the same amount of money, although, hopefully, they will
3 go down by the amount of our debt service so that they will,
4 instead of paying \$170,000 per person they will be paying
5 \$100,000 or \$130,000 per person.

6 MR. KLEIN: Clearly you see my point here. Because
7 if our debt service ends in five years and the subsidy stayed
8 at the same level the cash flow is \$600,000 a year.

9 MS. WEREMIUK: No. No, what's --

10 MR. KLEIN: I see people shaking their heads, they
11 have already gone through this. Because these are
12 tremendously important agencies we are dealing with in
13 assisting but I would like to know what happens here in the
14 sixth through the tenth year, at least. What happens to
15 these cash flows and, hopefully, that subsidy is spread to
16 other uses.

17 CHAIRMAN WALLACE: Which Kathy wants to take that
18 on?

19 MS. ROBINSON: I will.

20 CHAIRMAN WALLACE: Again, announce yourself for the
21 record.

22 MS. ROBINSON: Kathy Robinson with the Housing
23 Authority of the County of Santa Clara. We have an agreement
24 with San Andreas Regional Center that after the debt service
25 is retired to CHFA the amount of subsidy goes down to support

1 the operation of the facility.

2 MR. KLEIN: Okay.

3 MS. ROBINSON: In perpetuity.

4 MR. WARREN: Also in the materials you will note
5 that there is a reference to debt service and operations so
6 we have assumed that there would be some adjustment when the
7 loan is paid off.

8 CHAIRMAN WALLACE: Okay, any further questions from
9 the Board? Jeanne.

10 MS. PETERSON: I just had a brief question that had
11 to do with this.

12 CHAIRMAN WALLACE: And this is?

13 MS. PETERSON: This is the Life Service
14 Alternatives rent levels and it shows the SSI rents and the
15 market rent.

16 CHAIRMAN WALLACE: The big, bold, red and yellow.

17 MR. WARREN: Mr. Chairman, some of the materials
18 did not make it to all of the Board Members, all of the
19 graphs. We had a slight disconnect with the US mail system.

20 MS. PETERSON: Let me just ask the question in this
21 way, then.

22 MR. WARREN: Just so everybody knows, there are
23 Board Members that don't have in front of them what Jeanne
24 has.

25 MS. PETERSON: what kind of rent levels are we

1 expecting and is the source of income for the residents
2 primarily going to be SSI? Or entirely?

3 MS. WEREMIUK: SSI will pay \$872 per resident
4 toward rent. That is a very small amount when we look at the
5 cost to the facility. The 50 percent rent levels are in the
6 700s.. I think they were seven --

7 MS. PETERSON: Sixty-four.

8 MS. WEREMIUK: \$764. We anticipate that all of the
9 residents will be at a 20 percent AMI level. They are people
10 who can't work and they are dependant on public support. So
11 the difference between what SSI will pay and what it actually
12 costs to operate the facility is something that the San
13 Andreas Regional Center has in their budget and will pick up
14 in perpetuity as'long as those residents are living in that
15 facility.

16 MS. PETERSON: Mr. Chairman, I think this is an
17 incredibly creative collaborative effort and I would be proud
18 to move approval.

19 MR. KLEIN: I would second.

20 CHAIRMAN WALLACE: Are there further questions from
21 the Board? We have a motion. Any members of the Board? Any
22 non-board members participating in this teleconference?
23 Hearing and seeing none, secretary, please call the roll.

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

25 MS. PETERSON: Aye.

1 MS. OJIMA: Ms. Nevis?
2
3 MS. NEVIS: Aye.
4 MS. OJIMA: Mr. Czucker?
5
6 MR. CZUKER: Aye.
7 MS. OJIMA: Ms. Easton?
8
9 MS. EASTON: Aye.
10 MS. OJIMA: Ms. Hawkins?
11
12 MS. HAWKINS: Aye.
13 MS. OJIMA: Mr. Hobbs?
14
15 MR. HOBBS: Aye.
16 MS. OJIMA: Mr. Klein?
17
18 MR. KLEIN: Aye.
19 MS. OJIMA: Mr. Mozilo?
20
21 MS. GERFEN: Hello, this is Kay for Mr. Mozilo. He
22 had to step away for a brief moment. He said if you have a
23 quorum, fine, if you need him for the vote he will get on the
24 line.
25 MS. OJIMA: We have a quorum.
26
27 CHAIRMAN WALLACE: How do you vote, Kay?
28
29 MS. GERFEN: All right, thank you, and I will drop
30 off now.
31
32 CHAIRMAN WALLACE: Thank you.
33
34 MS. OJIMA: Thank you.
35
36 MS. GERFEN: You're welcome. Bye.
37
38 (A confirmation tone sounded.)

1 MS. OJIMA: Chairman Wallace?

2 CHAIRMAN WALLACE: Aye.

3 MS. OJIMA: We have a quorum. Resolution 01-31 has
4 been approved.

5 CHAIRMAN WALLACE: Resolution 01-31 is hereby
6 approved. Thank you for your assistance. And good luck, it
7 sounds like a great project.

8 MS. ROBINSON: Thank you very much.

9 CHAIRMAN WALLACE: Okay, we have got one more,
10 Linn.

11 **RESOLUTION 01-34**

12 MR. WARREN: Yes, Mr. Chairman. We have a loan
13 modification for the Board's --

14 CHAIRMAN WALLACE: Give us a page number for ready
15 reference.

16 MR. WARREN: Page 928, Mr. Chairman.

17 CHAIRMAN WALLACE: Page 928.

18 MR. WARREN: A modification page.

19 CHAIRMAN WALLACE: Okay.

20 MR. WARREN: This is a special needs loan that was
21 approved back in March of this year by the Board. The Board
22 approved a first lender loan of \$3,150,000; they also
23 approved a first mortgage \$415,000. The sponsors have come
24 back to us and asked that there be a tax-exempt bridge loan
25 up to \$1,100,000 for up to three years, also at a three

1 percent rate. This particular sponsor feels that by using a
2 bridge loan for this structure they can increase the pay-in
3 of the four percent credits, hence the need for the request.

4 At the time the loan came to us the pricing for
5 four percent credits was arguably stronger. The pricing for
6 four percent credits is no longer strong, as many of you may
7 know, so the sponsor has asked to have this bridge loan
8 available in the event they can use this to leverage up
9 higher -- delay pay-in and higher credits, particularly on a
10 special needs transaction, which some equity investors have
11 some reluctance with. With that I think I would probably go
12 ahead and ask approval.

13 Again, it is an accommodation to the sponsor. On a
14 loan-to-lender situation essentially what we would do is
15 retire about \$1.6 million of the existing loan-to-lender debt
16 and the balance of the money would roll into the permanent
17 loan of \$415,000 and the balance into a bridge loan if
18 required. So with that it's fairly straightforward.
19 Everything else in the project remains the same.

20 MS. WEREMIUK: Yes.

21 MR. WARREN: Is that correct, Kathy?

22 MS. WEREMIUK: Yes.

23 MR. WARREN: No other changes to the project other
24 than that. Recommend approval.

25 CHAIRMAN WALLACE: Staff recommends approval. Any

1 questions from the Board? From any non-board members
2 throughout our grand network? Hearing and seeing none the
3 Chair will entertain a motion to approve the loan
4 modification on International Boulevard Housing.

5 MS. HAWKINS: This is Carrie Hawkins and I move
6 approval.

7 CHAIRMAN WALLACE: Okay, thank you, Carrie.

8 MR. HOBBS: This is Ken; I'll second.

9 CHAIRMAN WALLACE: Hobbs seconds. Any questions on
10 the motion before the Board? Hearing and seeing none,
11 secretary, please call the roll.

12 MS. OJIMA: Thank you. Ms. Peterson?

13 MS. PETERSON: Aye.

14 MS. OJIMA: Ms. Nevis?

15 MS. NEVIS: Aye.

16 MS. OJIMA: Mr. Czucker?

17 MR. CZUKER: Aye.

18 MS. OJIMA: Ms. Easton?

19 MS. EASTON: Aye.

20 MS. OJIMA: Ms. Hawkins?

21 MS. HAWKINS: Aye.

22 MS. OJIMA: Mr. Hobbs?

23 MR. HOBBS: Aye.

24 MS. OJIMA: Mr. Klein?

25 MR. KLEIN: Aye.

1 MS. OJIMA: Mr. Mozilo?

2 (No response).

3 CHAIRMAN WALLACE: Kay? He's signed off.

4 MS. OJIMA: Mr. Wallace?

5 CHAIRMAN WALLACE: Aye.

6 MS. OJIMA: Resolution 01-34 has been approved.

7 CHAIRMAN WALLACE: Resolution 01-34 is hereby
8 approved. Okay, thank you, Kathy and Linn, that concludes
9 your good work for today, at the Board Meeting.

10 MR. WARREN: Yes, yes, we have to go back to work
11 this afternoon, Mr. Chairman.

12 CHAIRMAN WALLACE: Yes.

13 MR. KLEIN: So what is the status of the other
14 items in the binder?

15 MR. WARREN: They will be back in our November
16 Board. Again, we elected those that had to go this month.
17 They are still in the pipeline and we will see them in
18 November.

19 OTHER BOARD MATTERS

20 CHAIRMAN WALLACE: Okay, Item 5 is any other Board
21 matters that were not agendized. Is there anything that
22 should be presented to us?

23 MR. HUGHES: Mr. Chairman, I have an update
24 clarifying the ethics training cutoff as you requested
25 earlier in the meeting. The ethics training does have to be

1 taken once every two years and does have to be done by the
2 end of the year. I think the source of the confusion was
3 that back in June Sandy Casey-Herold had sent each Board
4 Member a memo reminding them of this requirement, and in the
5 body of the memo it indicates that completion should take
6 place before November 1. My suspicion is that was a vehicle
7 to make sure that we got everybody to actually do the
8 training and that we had time to work with anyone that had
9 not completed it. Certainly early compliance would be
10 helpful but the actual statutory cutoff is the end of the
11 year.

12 CHAIRMAN WALLACE: I thought I was having a
13 horrible senior moment here earlier in this meeting. So it
14 did say November 1.

15 MS. OJIMA: Yes, it did.

16 CHAIRMAN WALLACE: But probably a good idea to do
17 it sooner rather than later.

18 MR. HUGHES: Right. And as we have indicated
19 before, there are three ways to comply, either on the
20 Internet course that is available on the FPPC site or our
21 video tape or an actual in-person course. Most people have
22 elected to take the Internet training as the simplest of the
23 three methods.

24 MS. PARKER: Mr. Chairman, if, however --

25 CHAIRMAN WALLACE: I'll tell you one who hasn't.

1 MS. PARKER: If any of the Board Members would like
2 to have the material sent to them again just let JoJo know
3 and we would be happy to either supply the Internet address
4 or the tapes or whatever would be necessary to facilitate the
5 ease of the requirement.

6 CHAIRMAN WALLACE: Fine, Any other items under
7 Item 5 that Board Members want to bring up?

8 PUBLIC TESTIMONY

9 Okay, Item 6. Is there any public testimony?
10 Members of the public here, there or wherever. Ed?

11 MR. CZUKER: No. No one here.

12 CHAIRMAN WALLACE: You got us covered? How are the
13 doughnuts down there today?

14 MR. CZUKER: Excellent. I'd love to share one with
15 you.

16 CHAIRMAN WALLACE: Please do. Okay, I see here
17 nothing on Item 6. Let me just ask: How did this work out
18 down there for you or for Hobbs or Carrie? Angelo's off now.

19 Is it a reasonably acceptable alternative? Not that we are
20 going to make a practice but from time to time, who knows, we
21 may have to. How do you feel about it?

22 MR. CZUKER: Well, down here in Culver City I think
23 it was excellent and I think it gives an opportunity in the
24 future, one, to save costs of travel, time delay of travel,
25 and perhaps staff from both offices to participate in

1 meetings and to get back to their job duties without delay so
2 you can have, perhaps, more participation.

3 CHAIRMAN WALLACE: Angela, you agree?

4 MS. EASTON: It's a very strong alternative.

5 CHAIRMAN WALLACE: Kenny?

6 MR. HOBBS: I certainly agree 100 percent.

7 CHAIRMAN WALLACE: And Carrie?

8 MS. HAWKINS: Well, it works well for me to sit at
9 my desk in my office. However, traffic for me getting to the
10 Culver City office is always a pain so I am at my desk here.

11 But I think it is a very good alternative. I think we could
12 consider it from time to time and perhaps vary the type of
13 meeting we hold in the future.

14 CHAIRMAN WALLACE: How about here in Sacramento?
15 Anybody else that I missed on either the phone hook-up -- and
16 I know we got both of you in Culver City. Okay. How did you
17 feel here? It's kind of business as usual for those of us
18 here in Sacramento.

19 MS. NEVIS: Right.

20 MR. KLEIN: This is Bob Klein. I think it is a
21 very effective method of conducting a meeting for many of the
22 reasons that Ed stated. I would wonder, if we were having to
23 display graphics, like going through the annual Business
24 Plan, would we, in fact, conduct this with a second set so
25 that you would both see the individuals and be able to see

1 the graphics on a second screen?

2 MS. PARKER: This is almost the maiden voyage of
3 the utilization of this technology. Actually, we have this
4 technology because of the persistence of Mr. LaVergne who has
5 wanted to have this technology available in CHFA for a number
6 of years. We really wanted to do this -- We had not thought
7 of the Board Meetings when we first did this. We, frankly,
8 thought about the opportunity of utilizing this for better
9 communication with our staff in Culver City so that we could
10 have them not feel like step-children down there and also use
11 it as a way, if there were business meetings with people in
12 Southern California, that we would not have to deal with the
13 transportation.

14 I think we are going to have to talk about how we
15 will use this in Board Meeting settings in the future,
16 particularly ones that we might have a great deal of
17 graphics.

18 MR. CZUKER: Which one?

19 MS. PARKER: I actually was thinking about this
20 myself when you mentioned it, Bob, that perhaps it may mean
21 that we have to do a better job for anybody who would be on
22 the phone of sending out the material that we would be having
23 normally on the screen to the members overnight so that they
24 could essentially use that to go through instead of depending
25 on the visual portion.

1 (The video from Culver City was lost.)

2 CHAIRMAN WALLACE: Ed, are you cut off?

3 MS. NEVIS: He's just small.

4 (Several people said "No, that's us" at once.)

5 CHAIRMAN WALLACE: Oh, give us Ed again and Angela.

6 But, Terri, I think what we are kind of saying is, it's
7 worth considering.

8 MS. PARKER: Right. And I think we --

9 CHAIRMAN WALLACE: Both from our costs, and there
10 are probably some odds and ends that could be ironed out to
11 make it more efficient but, frankly, I kind of like it.

12 MS. NEVIS: Well, if you did it, even once a year.

13 CHAIRMAN WALLACE: Right.

14 MS. NEVIS: For the meeting where it seemed the
15 most appropriate.

16 MR. CZUKER: Hello.

17 MS. PARKER: Are you there?

18 MR. CZUKER: We hear you but we lost the video.

19 CHAIRMAN WALLACE: Lucky guy.

20 MR. KLEIN: Our time was up.

21 CHAIRMAN WALLACE: Do you use this for the -- The
22 staff meetings I have attended, senior staff meetings, you
23 have not used the video, you have used the audio.

24 MS. PARKER: As I said, we have literally -- We
25 just had this installed within the last month, Clark.

1 CHAIRMAN WALLACE: Okay.

2 MS. PARKER: So it is brand new.

7 MR. HUGHES: Mr. Chairman, I'll point out that next
4 year some changes to the law take effect that may make it
5 easier to hold these, eliminating some of the requirements
6 you previously had to meet in order to hold a video --

7 MR. KLEIN: Meaning, in January?

8 MR. HUGHES: Yes.

9 CHAIRMAN WALLACE: My sense is that it is worth
10 further investigation and consideration from time to time.
11 It probably does not substitute as well as face-to-face Board
12 Meetings but, as Judy says, periodically. I almost think we
13 ought to try it and perfect it. So maybe you do schedule at
14 least one meeting next year and let LaVergne run wild and
15 iron out the few odds and ends that need to be ironed out.
16 I'd say I'd try another one next year some time. Bob.

17 MS. HAWKINS: Clark, this is Carrie Hawkins.

18 CHAIRMAN WALLACE: Yes.

19 MS. HAWKINS: I agree. I think that we need to do
20 it periodically so that we are prepared should we need to use
21 it for any particular reason from time to time on issues that
22 might come up.

23 MR. KLEIN: In that regard, following Ed's
24 Suggestion, what if we were to just do a quick informal cost
25 benefit study of how much staff time is saved, how much money

1 in travel is saved, so that we can quantify this.

2 MS. PARKER: There is no question about savings
3 associated with this. I mean, JoJo --

4 MR. LAVERGNE (FROM THE AUDIENCE): It's thousands
5 of dollars per meeting.

6 MS. PARKER: Just what it costs us to rent the
7 location, the conference rooms, plus the airfare, plus the
8 rooms for staff. There is no question. I think it just goes
9 smoother too since this Board serves as the credit committee,
10 my own experience being on boards like State Lands and
11 Franchise Tax Board, that usually the feeling was about
12 having people be in the room so that there was an assurance
13 about the material from a fiduciary standpoint. I think
14 that's what we have tried to hold to.

15 But I think the events of September 11 have created
16 sort of a new day and we wanted to make sure for our
17 customers that no one was inconvenienced financially because
18 the Board could not come together and hold a quorum. So I
19 think given that, we will continue to make sure that we have
20 a business environment that meets what our customers need.

23 CHAIRMAN WALLACE: Terri, why don't you come back
22 to us at one of the next few meetings and give us an
23 analysis, including the pros and cons and the cost benefit
24 and so on. With an idea in mind of holding another one
25 sometime next year so that we iron out the kinks and so on.

1 MS. PARKER: All right.

2 MS. OJIMA: Most of the meeting dates, we have
3 signed contracts for 2002.

4 MR. KLEIN: YOU mean for the room?

5 MS. OJIMA: For the conference rooms.

6 MR. KLEIN: So if we look at the overall costs --

7 MS. OJIMA: Correct.

8 MR. KLEIN: -- that lost cost may not be the
9 balancing decision.

10 CHAIRMAN WALLACE: I agree.

11 MR. KLEIN: But it's good to be aware of it.

12 MS. OJIMA: Just be aware.

13 CHAIRMAN WALLACE: As part of this analysis get
14 JoJo's cancellation fee cost in there. Anything else for the
15 good of the order? Hearing and seeing none, thank you all
16 very much. I think it came off well and we will look forward
17 to seeing you November 8 at the Clarion. We are back at the
18 Clarion? I thought we were going to the Westin?

19 MS. PARKER: Next year.

20 MS. OJIMA: 2002. January.

21 CHAIRMAN WALLACE: Okay. So --

22 MR. CZUKER: Thank you, everyone.

23 CHAIRMAN WALLACE: Thank you, guys.

24 MS. EASTON: Bye, everyone.

25 CHAIRMAN WALLACE: We are adjourned. Thank you, all.

3 (The meeting was adjourned at 11:35 a.m.)

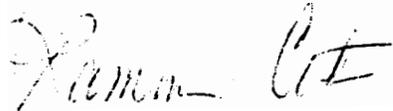
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- Board of Directors Public Meeting of the California Housing
1 Finance Agency on the 10th day of October, 2001, and that the
1 foregoing pages constitute a true, complete and accurate
12 transcript of the aforementioned tapes, to the best of my
13 ability.

14 Dated this 15th day of October, **2001**, at Sacramento
15 County, California.

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18 Ramona Cota, Official Transcriber

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Gateway Apartments
Menlo Park, San Mateo County, CA
CHFA # 01-038-N

SUMMARY

This is a final commitment request for a tax-exempt, first mortgage loan in the amount of Seven Million Nine Hundred Thousand Dollars (**\$7,900,000**). Security for the loan will be a 130-unit family apartment community owned by Menlo Gateway, Inc. ("Menlo Gateway"), a non-profit public benefit corporation and an affiliate of Mid-Peninsula Housing. Menlo Gateway is seeking funds to refinance existing mortgage indebtedness. The new loan with CHFA may be insured under the HUD Risk-Share Program.

In 1987, the Community Development Agency of the City of Menlo Park ("CDA-MP") issued 30 year bonds to facilitate acquisition and rehabilitation and to fund project reserves for Gateway Apartments. A First Mortgage Loan was made to Menlo Gateway from bond proceeds in the amount of **\$7,608,100**, secured by a first deed of trust. Bond proceeds were also used to fund rehabilitation and project reserves. Additional proceeds were provided by a residual receipts note, secured by a Second Deed of Trust to the Community Development Agency of the City of Menlo Park ("CDA-MP"); and a deferred payment loan from the State of California Department of Housing and Community Development ("CA-HCD").

The project sponsor entered into a project-based Housing Assistance Payments Contract ("HAP Contract") for all 130 units with the Housing Authority of San Mateo County ("**HA-SMC**"). The HAP Contract expires in November 2002.

The California Housing Finance Agency ("CHFA" or "Agency") loan will be funded to repay the primary (first mortgage) loan. The CDA-MP and CA-HCD loans will remain as secondary indebtedness against the property. Upon repayment of the primary loan, funds currently held by the mortgagee will be released to the project sponsor. These funds, along with monies held by the project sponsor, will be utilized for project renovation and other approved expenditures.

LOAN TERMS

Primary Loan	
California Housing Finance Agency	\$7,900,000
Interest Rate	5.50%
Term	30 year fixed, fully amortized
Financing	501(c)(3) Tax-Exempt
Insurance	FHA Risk Share

LOCALITY INVOLVEMENT

The property will have secondary financing from the Community Development Agency of the City of Menlo Park and the State of California Department of Housing and Community Development.

The Community Development Agency of the City of Menlo Park ("CDA-MP") loan was funded in 1987. The original loan (\$1,173,815) is a residual receipt note, with interest payable at 8.3%. Unpaid accrued interest is capitalized annually. The current balance is approximately \$3,625,000. The loan matures in June 2042, with a twenty (20) year option to extend. The CDA-MP loan will be repaid from surplus cash.

The State of California Department of Housing and Community Development ("CA-HCD") loan (\$150,000) was funded in 1987 **through** the City of Menlo Park. **This is a** deferred payment loan with simple interest at 3% per **annum**. The loan matures in June 2002, however the loan and payments to interest and principal can be deferred for **an** additional five (**5**) years at the borrower's option. The borrower intends to request **an** extension of the loan through the end of the CHFA loan.

Section 8 HAP Contract – Housing Authority of San Mateo County ("HA-SMC"). In 1987 the project sponsor entered into a project-based Housing Assistance Payment Contract ("HAP Contract") for all 130 units with the Housing Authority of **San** Mateo County. The HAP Contract expires in November 2002. The project sponsor has agreed to accept Section 8 contract renewals for the term of the Agency loan. Should the sponsor be unsuccessful in attaining **an** extension then it will apply for Section 8 tenant vouchers for the existing project-based voucher tenancies. To protect the financial viability of the project in this event, a transition reserve of \$400,000 is being funded from project cash flow. In the event this reserve is not required for the transition, the funds will remain with CHFA and be **used** for project related purposes.

Any secondary indebtedness, **as well as** any regulatory constraints or other secured interests, will be subordinated to the CHFA regulatory agreement and deed of trust. The secondary loans 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.

MARKET

Market Overview

Gateway Apartments is located in the City of Menlo Park, San Mateo County, and **as** such is part of a region commonly know **as** the **San** Francisco Bay Area. The greater San Francisco Bay Area consists of nine counties with an estimated population of 6.9 million. Between 1960 and 1980, the regions population grew at a compounded rate of 1.9% per year. During the 1980's the areas population growth rate declined to 1.4% per **annum**. The 2000 population growth rate slightly increased to 1.7%. The Association of Bay Area Governments ("ABAG") projects the

region's population will grow at an average annual rate of 0.8% over the next 25-year period. The decline in population growth is due to a myriad of factors including the availability of and high cost of housing.

The subject is located in the City of Menlo Park, County of San Mateo. The City of Menlo Park lies in the southern portion of San Mateo County. San Francisco is approximately 25 miles to the north; and San Jose 25 miles to the south.

The population of San Mateo County as of January 2001 was 711,492. Between 2001 and 2006 the population is projected to increase to 732,916. The City of Menlo Park has a 2001 population of 30,020. The 2006 population is projected to be 30,852. The low **growth** rate is indicative of the overall mature nature of the County.

The area is well served by freeways and public transportation. **An** initiative is scheduled to be on the ballot in November which would raise funds to extend the Bay Area Rapid Transit ("BART") system through Santa Clara County, which would also have a positive impact on southern San Mateo County.

The Services sector represents the largest employment in the San Mateo County accounting for 36% of total employment. Business services, which represents 35% of the Service Sector is projected to increase by 19% between 2000 and 2010 from approximately 49,630 to 59,190.

Because San Mateo offers a suburban atmosphere **and** convenient access to nearby employment centers, it has long attracted residents who work in other parts of the Bay Area. A recent phenomenon is the increasing number of workers who have been commuting from other counties to jobs in San Mateo County.

Market Demand

Menlo **Park** and the County of San Mateo are strategically located between **San** Francisco and the Silicon Valley. The desirable climate, efficient transportation center and proximity to the region's major employment centers make the area a desirable area to live and work. **The** population is relatively affluent and housing prices and commercial rental spaces **are some of the** highest in the nation. The demand for housing has driven prices up beyond the reach of most area residents thus forcing many to seek affordable housing elsewhere.

Housing Supply

Housing prices in San Mateo County are among the highest in the country. The resurgence in the economy in the mid-1990's in conjunction with increasingly expensive land, rising construction costs, and more restrictive environmental regulations all factor into high housing costs. Since little developable land remains, much of the new construction in the area is occurring following the demolition of older, less functional structures.

In 2001, the average household income within a 3-mile radius of the subject **was** estimated at \$114,162 and the median household was estimated at \$77,825. Over fifty-two percent (**52%**) of

775

the housing units are owner occupied, which is somewhat lower than the County overall at Sixty percent (60%). Approximately sixty-two percent (62%) of the **owner** occupied units are valued over \$300,000. The median property value is estimated above \$382,000).

There are few apartment complexes in the subject's immediate area. The only **known** projects which **are** planned or under construction include a 129-unit apartment complex which is currently under construction. Plans call for one-half of the units to be leased at affordable rents, with the balance at market rates. Currently in planning is a proposed 33-unit apartment complex. It is estimated that between years 2001 and 2006, within a three-mile radius, an additional 1,473 homes will be added to the existing inventory.

PROJECT FEASIBILITY

Market rate rents for comparable properties average \$1,067 for a studio unit; \$1,382 for a one-bedroom unit; \$1,747 for a two-bedroom unit; and \$2,396 for a three-bedroom unit .

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Section 8 Rents	Market Rate / FMR Average	\$ Difference	% Market
Studio			\$ 1,067		
50%	\$ 668	\$710		\$ 399	68%
60%	\$808			\$259	79%
One Bedroom			\$ 1,382		
50%	\$ 756	\$818		\$ 546	62%
60%	\$ 917			\$ 386	74%
Two Bedroom			\$ 1,747		
50%	\$ 844	\$1008		\$ 903	52%
60%	\$1025			\$ 723	62%
Three Bedroom			\$ 2,396		
50%	\$ 934	\$1354		\$ 1462	42%
60%	\$ 1135			\$ 1262	50%

PROJECT DESCRIPTION

Project Location

The property is located in an area bounded by Hamilton Road to the north, Willow Road (State Highway **84**) to the east, **U.S.** Highway **101** to the south, and Carlton Avenue to the west. Ivy Drive bisects the subject sites. The East Palo Alto boundary is Willow Road, to the east. Though located in Menlo Park, the local area is characterized by and referred to **as** being located in East Palo Alto.

The area was originally developed during the **1950's** and **1960's** **as** a single-family residential district. There are few apartment complexes in the immediate area.

The neighborhood has long been a less desirable area with significant signs of deferred maintenance. However the immediate area has undergone gentrification over the past five years due to the strong economy at the time. Currently the area appears stable. The long-term outlook for this area appears positive **as** developers are showing interest in the area to expand the residential and commercial base **as** the Menlo Park/East Palo Alto area has potential for a limited amount of growth.

The area is conveniently served by public transportation and a good system of surface streets and highways.

Site

The subject property consists of two parcels, both of which are on the westerly side of Willow Road, and are separated by a restaurant, a public roadway (Ivy Drive [aka Hetch Hetchy Way]), and a vacant parcel. The subject parcels are referred to **as** the "**1200** block" and the "**1300** block." The distance between the two parcels is estimated to be **400** feet.

The **1200** block parcel (south of Ivy Drive) has approximately **911** feet of frontage along the westerly side of Willow Road, and a depth of approximately 120 feet.

The **1300** block parcel (north of Ivy Drive) has approximately **914** feet of frontage along the westerly side of Willow Road, and a depth of approximately 120 feet.

Vehicular ingress and egress to both parcels is by way of an easement along the rear westerly boundaries of both parcels, and accessed from Ivy Drive.

Improvements

The property is improved with 130 residential living units contained in twenty-nine (**29**) one and two-story walk-up buildings of wood frame and stucco construction of average quality. The property was originally constructed in **1965** and remodeled in **1987**. On-site parking, consisting of **255** spaces, is disbursed throughout the property between and in back of the buildings. Each parcel has a tot lot, laundry facilities, open courtyards and greenbelts. The 1200 block parcel has a free-standing community building; the 1300 block parcel **has** a project maintenance facility. Landscaping is of average quality.

The project contains two studio; **67** one-bedroom; 33 two-bedroom; and **28** three-bedroom units for a total of 130 units. Unit amenities include a stove, refrigerator, fan hood, disposal, carpet and vinyl floor coverings, window coverings, and gas-fired wall heaters. The units in the one-story buildings all have an enclosed private patio.

OCCUPANCY RESTRICTIONS

CHFA **20%** of the units will be restricted at **50%** or less of AMI
 80% of the units will be restricted at **60%** or less of AMI.

Community Development Agency of the City of Menlo Park (“CDA-MP”)

An agreement with the Community Development Agency of the City of Menlo Park requires that at least **20%** of the **units** be occupied by low and moderate income tenants and not less **than 50%** of these units will be occupied by or be made available to tenants whose incomes do not exceed the qualifying limits for low-income families established **by** the Section **8** program.

State of California Department of Housing and Community Development (“CA-HCD”)

There are no regulatory constraints directly attached or attributable to CA-HCD loan.

Section 8 HAP Contract – Housing Authority of San Mateo County (“A-SMC”)

Occupancy for the Gateway is regulated through a Section **8** Housing Assistance Payments (**HAP**) contract, which is administered by the Housing Authority of San Mateo County. **This** contract is due to expire in November of **2002**. Currently all residents must qualify under the Section **8** program **as** low or very low income households (less than **50%** of Area Median Income) in order to be eligible to live there.

The CDA-MP regulatory constraints will be subordinated to the California Housing Finance Agency’s regulatory agreement and deed of trust.

PHYSICAL NEEDS ASSESSMENT/ SCOPE OF WORK

A Physical Needs Assessment, Structural Pests Inspection, Seismic Study, and **Phase I** Environmental Site Assessment were conducted at the property. Utilizing these reports a scope of work was established

Primary Scope of Work Items Include

- Site drainage repairs
- Exterior painting

- Landscaping/ trees
- Patio fencing
- Concrete and asphalt
- Play ground structures
- Unit interior upgrades and renovations
- Items of health & safety and energy conservation
- Implementation of recommendations contained in the Structural Pest reports, Physical Needs and Seismic reports

ENVIRONMENTAL

A preliminary review of the project's environment status revealed no adverse conditions. A Phase I Environmental Site Assessment is pending and reports satisfactory to the Agency will be required prior to permanent loan funding.

ARTICLE XXXIV

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

DEVELOPMENT TEAM

Borrower's Profile

Menlo Gateway, Inc. a California nonprofit public benefit corporation

Menlo Gateway, Inc ("Menlo Gateway"), 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

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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

Date: 24-Oct-01

Project Profile:

Project : Gateway
Location: 1221-1275 6 1317-1385 Willow Road
 Menlo Park 94925
County: San Mateo
Borrower: Menlo Gateway, Inc
Appraiser: Cushman & Wakefield
Cap Rate: 7.50%
Market: \$11,100,000
Income: \$11,100,000
Final Value: \$11,100,000

Program: 501©(3)

CHFA# : 01-038-N

LTC/LTV:
Loan/Cost 86.5%
Loan/Value 71.2%

Project Description:

Units 130
Handicap Units 30 0
Bldge Type Acquisition
Buildings 30
stories 1 & 2
Gross Sq Ft 61,179
Land Sq Ft 219,360
Units/Acre 26
Total Parking 255
Covered Parking 66

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	\$7,900,000	\$60,957	5.50%	30
Debt Service Reserve	\$660,801	\$5,099		
R for R reserves	\$390,737	\$3,015		
Contributions From Operations	\$177,677	\$1,371		
Deferred Developer Equity				
Tax Credit Equity				
CHFA Bridge				
HFA HAT				

Unit Mix:

Type	Manager		AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
0 bedroom	0	0	0	0	1	668	1	808	0	0	2
1 bedroom	1	0	0	0	11	756	55	917	0	0	67
2 bedroom	1	0	0	0	7	844	25	1025	0	0	33
3 bedroom	0	0	0	0	6	934	22	1135	0	0	28
4 bedroom	0	0	0	0	0	0	0	0	0	0	0
subtotal	2		0		24		103		0		130

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	2.00% of Loan Amounts	\$158,000	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	\$79,000	Letter of Credit
Operating Expense Reserve	10% of Gross Income	\$151,607	LOC
Inspection fee	\$1,500 x months of construction	\$4,500	Cash
Construction Defect Reserve	2.50% of Hard Costs	\$21,164	Letter of Credit
Reserves			
Initial Deposit to Replacement Reserve	\$1,000 Per Unit	\$129,600	Cash
Replacement Reserve Deposit	\$401 Per Unit	\$52,000	Operations
Transition Operating Reserve	27% of Gross Income	\$400,000	Operations
Completion Guarantee Reserve	20% Of Construction Costs	\$150,000	Letter of Credit

Sources and Uses

Gateway

SOURCES:

<i>Name</i> of Lender/ Source	Amount	\$ per sq ft	\$ per unit
CHFA First Mortgage	7,900,000	129	60,957
CHFA Bridge	0	0	0
CHFA HAT	0	0	0
Debt Service Reserve	660,801	11	5,099
Total Institutional Financing	8,560,801	140	66,056
Equity Financing			
	0	0	0
R for R reserves	390,737	6	
Contributions From Operations	177,677	3	
Tax Credits	0	0	0
Deferred Developer Equity	0	0	0
Total Equity Financing	568,414	9	4,386
TOTAL SOURCES	9,129,215	149	70,441

USES:

Acquisition	7,856,100	128	60,618
Rehabilitation	846,559	14	6,532
New Construction	0	0	0
Architectural Fees	0	0	0
Survey and Engineering	0	0	0
Const. Loan Interest & Fees	0	0	0
Permanent Financing	173,000	3	1,335
Legal Fees	10,000	0	77
Reserves	130,000	2	1,003
Contract Costs	25,000	0	193
Construction Contingency	70,874	1	547
Local Fees	12,620	0	97
TCAC/Other Costs	5,062	0	39
PROJECT COSTS	9,129,215	149	70,441
Developer Overhead/Profit	0	0	0
Consultant/Processing Agent	0	0	0
TOTAL USES	9,129,215	149	70,441

Annual Operating Budget

Gateway

		\$ per unit
INCOME:		
Total Rental Income	1,502,074	11,590
Laundry	13,997	108
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	1,516,070	11,698
Less:		
Vacancy Loss	75,804	585
Total Net Revenue	1,440,267	11,113
EXPENSES:		
Payroll	257,553	1,987
Administrative	166,523	1,285
Utilities	65,000	502
Operating and Maintenance	172,631	1,332
Insurance and Business Taxes	27,231	210
Taxes and Assessments	1,000	8
Reserve for Replacement Deposits	52,000	401
Subtotal Operating Expenses	741,938	5,725
Financial Expenses		
Mortgage Payments (1st loan)	538,264	4,153
Total Financial	538,264	4,153
Total Project Expenses	1,280,202	9,878

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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Section 8 Increment	37,704	38,458	39,228	40,012	40,812	41,629	42,461	43,310	44,177	45,060
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Affordable Rents	1,464,369	1,493,657	1,523,530	1,554,000	1,585,080	1,616,782	1,649,118	1,682,100	1,715,742	1,750,057
TOTAL RENTAL INCOME	1,502,074	1,532,115	1,562,757	1,594,013	1,625,893	1,658,411	1,691,579	1,725,410	1,759,919	1,795,117

OTHER INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Laundry	13,997	14,277	14,562	14,854	15,151	15,454	15,763	16,078	16,399	16,727
Other	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	13,997	14,277	14,562	14,854	15,151	15,454	15,763	16,078	16,399	16,727
GROSS INCOME	1,516,070	1,546,392	1,577,320	1,608,866	1,641,043	1,673,864	1,707,342	1,741,488	1,776,318	1,811,844

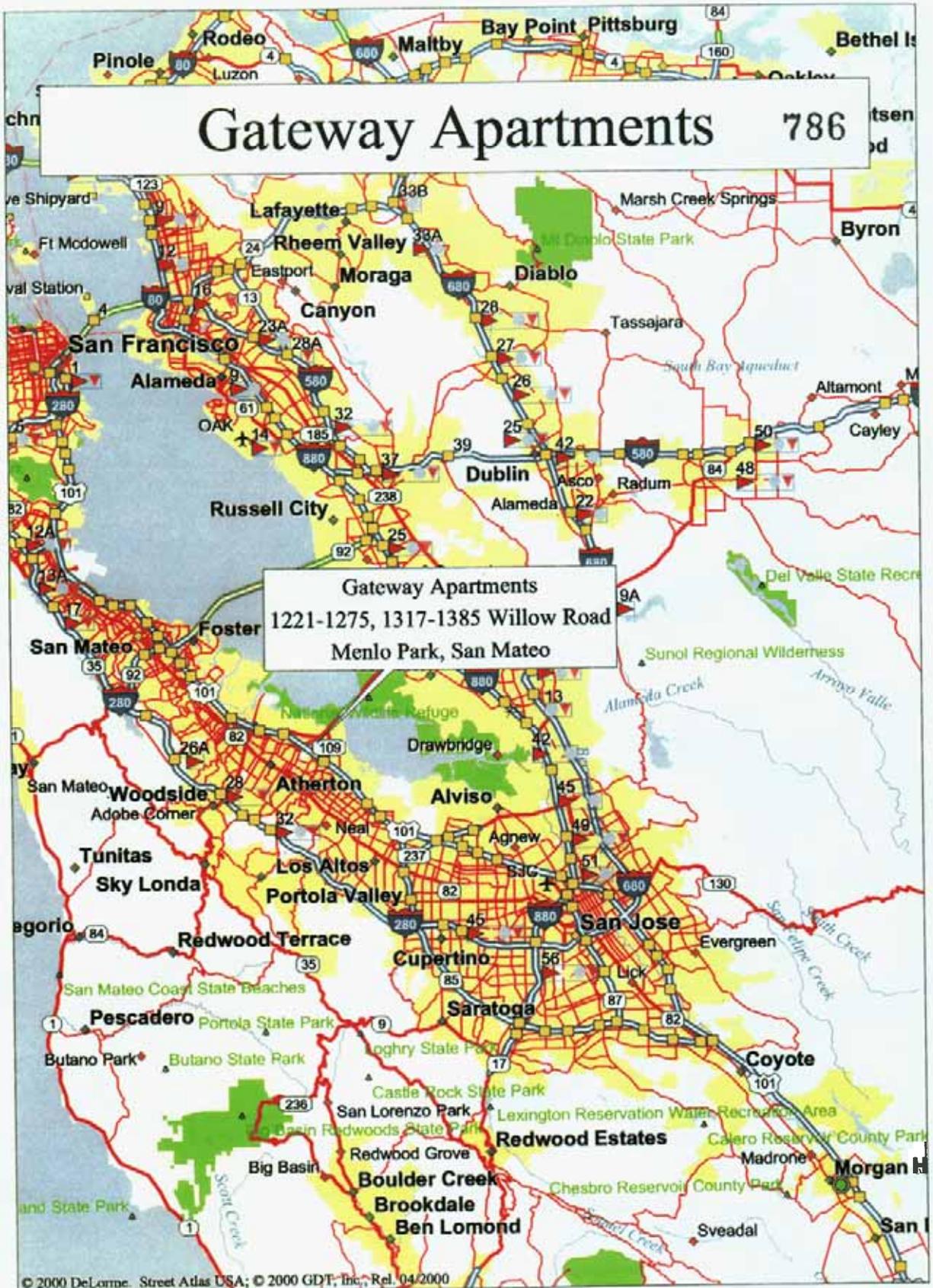
Vacancy Rate: Section 8 Increment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Vacancy Rate - Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	75,804	77,320	78,866	80,443	82,052	83,693	85,367	87,074	88,816	90,592
EFFECTIVE GROSS INCOME	1,440,267	1,469,072	1,498,454	1,528,423	1,558,991	1,590,171	1,621,974	1,654,414	1,687,502	1,721,252

OPERATING EXPENSES	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses	688,938	713,051	738,008	763,838	790,572	818,242	846,881	876,522	907,200	938,952
Replacement Reserve	52,000	52,000	52,000	52,000	52,000	54,600	54,600	54,600	54,600	54,600
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
TOTAL EXPENSES	741,938	766,071	791,048	816,899	843,655	873,946	902,607	932,270	962,971	994,747
NET OPERATING INCOME	698,329	703,001	707,406	711,524	715,337	716,225	719,368	722,144	724,531	726,505

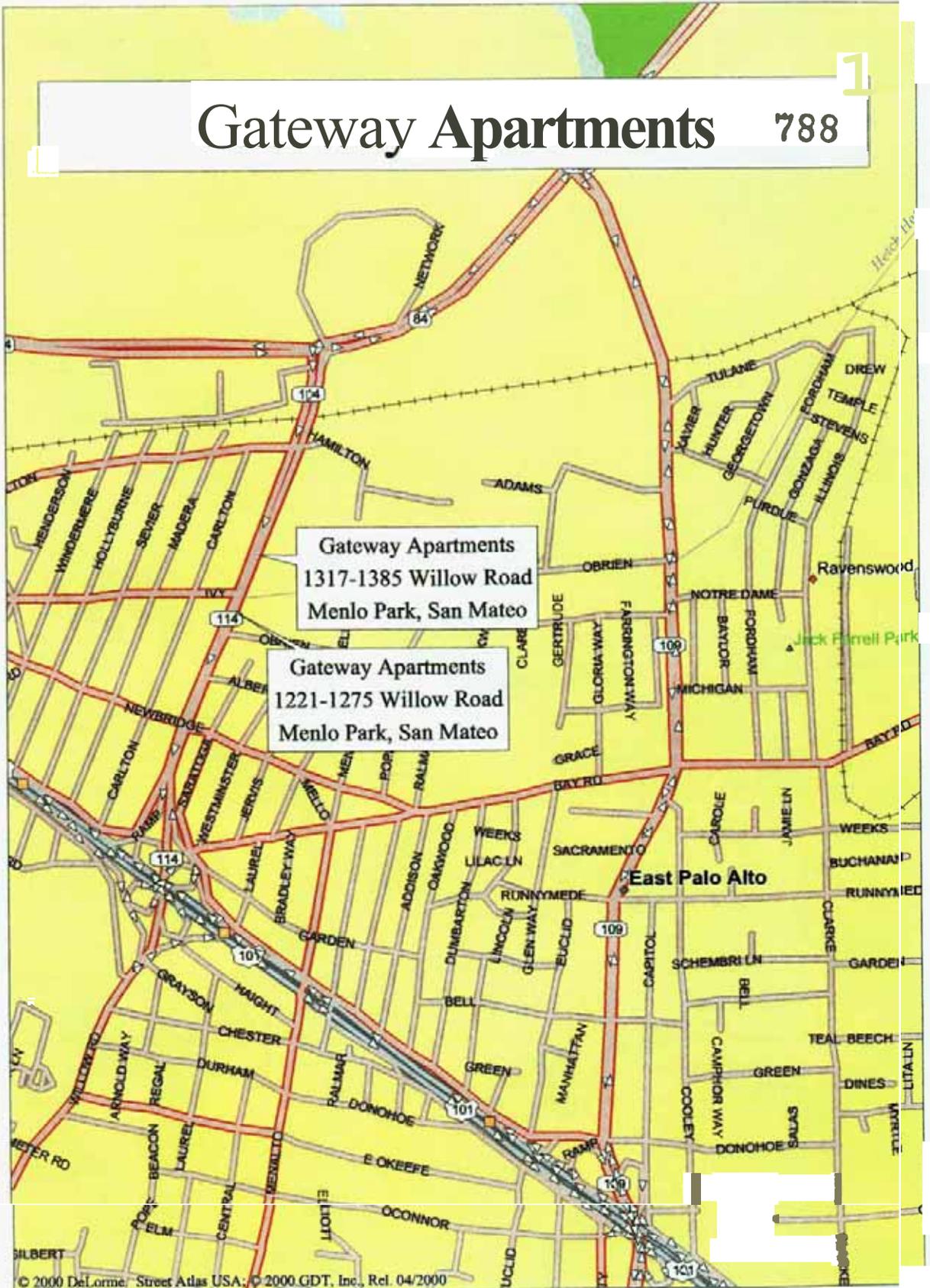
DEBT SERVICE	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CHFA - 1st Mortgage	538,264	538,264	538,264	538,264	538,264	538,264	538,264	538,264	538,264	538,264
CHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan (amortizing)	0	0	0	0	0	0	0	0	0	0
Cash flow after CHFA loans	160,065	181,737	169,142	173,280	177,073	177,961	181,104	183,880	186,267	180,241
DCR CHFA A&B	1.30	1.31	1.31	1.32	1.33	1.33	1.34	1.34	1.35	1.35
TOR Payment	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Residual Cash	60,065	64,737	69,142	73,260	77,073	77,961	81,104	83,880	86,267	86,241

Gateway Apartments 786

Gateway Apartments
1221-1275, 1317-1385 Willow Road
Menlo Park, San Mateo



Gateway Apartments 788



RESOLUTION 01-32

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Menlo Gateway, Inc. (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 130-unit multifamily housing development located in the City of Menlo Park to be known as Gateway Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated October 24, 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 October 24, 2001, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

<u>PROJECT NO.</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NO. UNITS</u>	<u>LOAN AMOUNT</u>
01-038-N	Gateway Apartments Menlo Park/San Mateo	130	\$7,900,000

1 Resolution 01-32
2 Page 2

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

8
9 3. All other material modifications to the final commitment, including increases
10 in mortgage amount of more than seven percent (7%), must be submitted to this Board for
11 approval. "Material modifications" as used herein means modifications which, when
12 made in the discretion of the Executive Director, or in his/her absence, either the Chief
13 Deputy Director or the Director of Multifamily Programs of the Agency, change the legal,
14 financial or public purpose aspects of the final commitment in a substantial or material
15 way.

16 I hereby certify that this is a true and correct copy of Resolution 01-32 adopted at a duly
17 constituted meeting of the Board of the Agency held on November 8,2001, at Millbrae,
18 California.

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ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Southlake Tower Apartments

CHFA # 01-040-N

SUMMARY:

This is a Final Commitment request for two loans totaling Seven Million Three Hundred Twenty Thousand Dollars (\$7,320,000). The first mortgage in the amount of Six Million Five ~~Hundred~~ Thousand Dollars (\$6,500,000) is fully amortized over ~~thirty~~ years. The second mortgage of Eight Hundred Twenty Thousand Dollars (\$820,000) will be amortized over fifteen years. The project is Southlake Tower Apartments, an existing 130 unit senior project located at 1501 Alice Street in Oakland, California, in Alameda County.

Forest City Residential Developers, Inc. ("Forest City"), a for-profit real estate corporation, has owned this facility continuously since its construction. Southlake Tower was developed under the United States Department of Housing and ~~Urban~~ Development's 221(d) (4) Program, which provides 100% Section 8 rental subsidy to the facility. Christian Church Homes of ~~Northern~~ California ("CCH"), a 501(c) (3) nonprofit public benefit corporation, has been the managing agent for the facility from the time it was constructed. CCH originally planned to develop Southlake Tower under the HUD Section 202/Section 8 Program. In this scenario, CCH would have owned the building, and Forest City would have been the contractor. However, in order to maintain site control the parties agreed that Forest City would purchase the property, construct the building, and own the new facility, with CCH retaining the recorded right to manage the facility.

Under the regulations governing HUD Section 221(d) (4) facilities, Forest City is allowed to sell the building as of this year. As part of its mission CCH plans to acquire the building and to maintain its affordability for very low-income seniors through the decades ahead.

LOAN TERMS:

1 st Mortgage	\$6,500,000
Interest Rate	5.50%
Term	30 year fixed, fully amortized
Financing	501(c) (3) Bond, Tax-Exempt
Insurance	FHA Risk Share

793

2nd Mortgage

\$820,000

Interest Rate

6.50%

Term

15 year fixed, fully amortized

Financing

501(c) (3) Bond, Tax-Exempt

LOCALITY INVOLVEMENT:

Southlake Tower Apartments is a high priority for the city of Oakland. The City has expressed an interest in providing a **\$1,445,266, 3.00%**, thirty year, residual receipts loan to ensure affordability for the project. The City is currently involved in a NOFA process, and awards will be made in early **2002**. A loan commitment ~~from~~ the California Housing Finance Agency (“Agency” or “CHFA”) will be contingent upon a loan commitment from the City of **Oakland**.

SECTION 8 CONTRACTS

Current Ownership: The property was constructed in **1979** by the current owner, Forest City Residential Developers, of Cleveland Ohio as a low income senior property. It was financed with a **HUD 221(d)(4)** loan. The project has been managed by Christian Church **Homes** since it was built.

Section 8 Contract: The Section 8 contract expired on November **30**, 1999. The contract **was** extended by HUD for four years, until November **30**, **2004**, but is subject to annual renewals. The Section 8 contract covers all **130** units including the Manager’s unit. **As** of December **1**, 2001, the new contract rents will be **\$972** for a one bedroom unit and **\$1,014** for a **two** bedroom unit. The seller, as part of the HUD sale/transfer process, submits a request to HUD San Francisco’s **to** transfer the HAP contract to the new buyer.

CHFA will require that the borrower request a contract with a term of twenty (**20**) years, or for the longest term currently being offered by HUD. CHFA will **also** require that the borrower **seek** and accept renewals of the Section 8 **HAP** contract or equivalent project-based subsidies for the full term of the Agency loan, and throughout the project’s useful life.

Conversion Scenario: The majority of residents are likely **to** remain Section 8 **tenants** for the term of the Agency loan. However, because HUD is only extending renewals for a maximum of **15** to **20** years, **and** because renewals are subject to annual appropriations, there is uncertainty surrounding HAP contracts. Therefore, CHFA staff is requiring a Transition Operating Reserve (“TOR”) to subsidize the project costs, if required, during the transition from Section 8 to non-subsidized rents. Funding of the account will occur from cash flow over the first five years of the project until the fund balance reaches \$300,000. The TOR will stay with the project for the term of the Agency loans to cover approved operating shortfalls, and will be drawn down on an “as needed” basis.

MARKET

Market Overview

The City of Oakland is located along the northwest edge of Alameda County. It is bounded to the north by Berkeley, to the east by Contra Costa County open space, to the south by the City of San Leandro, and to the west by the San Francisco Bay. Twelve miles to the west, across San Francisco Bay, is the City and County of San Francisco. Oakland was founded in **1852**. It is the largest city in Alameda **County**, encompassing fifty-two (**52**) square miles including **19** miles of coastline. Oakland is centrally located to most Bay Area destinations and within one hour of Silicon Valley. Interstate **880** and **580**, and Highways **980** and **24** provide convenient access to all parts of the region. Public transportation systems are supported by the Bay Area Rapid Transit District ("BART") and the Alameda County Transit bus system. In addition there is **AMTRAK** and the Oakland Airport.

The city of Oakland's commercial hub affords the area numerous economic resources, as well as recreation and cultural amenities. Government, retail trade, professional and health related services are the dominant employment sectors. Population forecasts and economic projections indicate that Oakland will continue to be the largest and most important city in Alameda **County**.

Industry and manufacturing have historically dominated Oakland's economy. The economy has gradually shifted to a more service based economy. Business services and healthcare now **make** up the largest sector of the economy. In addition, high technology **firms** originally centered in the Silicon Valley are increasingly locating in Oakland and other parts of Alameda **County**. The Port of Oakland is the fourth largest port in the United States and handles **98%** of all containerized cargo that passes through the Golden Gate. The Port of Oakland is developing a Joint Intermodal Terminal with major rail carriers which is designed to lower the time and **cost** of transporting goods. In addition the city of Oakland is aggressively pursuing a strategy to attract companies to the area as well as to develop new local businesses. There are currently two major redevelopment areas in Oakland – downtown and the Oakland Coliseum area – which consist of a mixture of economic, business and housing developments. Projects in these areas can take advantage of **tax** increment financing and other incentives.

Market Demand

The State of California Department of Finance estimated the January **2000** population for Oakland to be **402,100**. Between **1995** to **2000** the annual growth rate has been approximately **2.9%**. The annual growth rate is anticipated to slow due to the near 100% "built-out" aspects of the community. The mean family income in **1995** and **2000** was estimated by the Association of Bay Area Association of Governments to be **\$47,000** and **\$53,400** respectively. The **2005 mean** family income is estimated to be **\$58,600**.

Apartment managers are reporting an improving demand for rental housing in most areas of Oakland since San Francisco and other Bay Area communities became so expensive. Some pockets of Oakland are expected to see higher demand than others. Within the past eighteen (18) months, managers have reported increasing rents. This reflects the overall trend of increasing rents in the Bay Area in general

Market Supply

Little new construction has occurred in Oakland in the past several years. According to the city of Oakland Planning Staff, there are some potential projects in the pipeline. New construction is almost exclusively expensive luxury type apartments or rent restricted tax credit construction. However many of these would not come on line for a number of years. While the subject will face future potential competition, given the subject’s location and on-going maintenance and updating, Southlake Tower should maintain a competitive advantage over potential competition.

Rent Differentials (Market versus restricted)

Average market rent for a competitive one-bedroom apartment unit in Oakland is \$965. The project Section 8 rent is set at market (\$972).

Unit Type	Subject	Market Rent	\$ Difference	% Of Market
One Bedroom		\$965		
50%	\$716		\$249	74%
60%	\$860		\$105	89%

PROJECT DESCRIPTION.

Project Location

The subject property is located on in the 1500 block of Alice Street in close proximity to downtown Oakland and neighborhood amenities. It is three blocks from Lake Merritt. It benefits from a good network of surface streets, public transportation and convenient freeway access. The neighborhood is residential in character with a mixture of single-family homes, multi-family apartment complexes, and neighborhood commercial development.

Site

The subject is an irregularly shaped parcel containing approximately 34,730 square feet or 0.80 acres. The topography is generally level with all utilities available to the site.

Improvements

Southlake Tower is an eight-story elevator building containing 130-unit apartment units. The improvements were constructed in 1979. The complex contains 129 one-bedroom units, and a two-bedroom managers unit. Common areas for the project include an administrative office, recreation room, and laundry facilities. On-site parking consists of thirty-one (31) tuck-under spaces. The project has a total rentable **area** of approximately 69,301 square feet, and a **gross** area of 164,912 square feet. Common area and unit heating is a **gas** hot water system. **There** is no air-conditioning. The project is master metered for electricity and gas.

Individual unit amenities consist of a full size kitchen with laminated plastic cabinets and countertops, double stainless steel sink, a slide-in electric range with hood, and a refrigerator. The units have emergency pull cords in the bedroom and bathroom **as well as** smoke detectors in the bedroom and living room.

REHABILITATION

A Physical Needs Assessment **was** performed by Walter Ketler on October 17, 2001. He found the project to be in very good condition. The PNA recommended approximately \$320,000 of repairs including the following;

- 1) Deferred Maintenance Items including refinishing the kitchen cabinets, refinishing the kitchen countertops, replacing the kitchen mixing valves, and replacing the bathroom vent fans reworking the storm drain cleanouts, and replacing carpeting, drapes, resilient flooring and range hoods in **7% to 15%** of the units.
- 2) Code Upgrade Items including re-wiring the bedroom smoke detectors, and painting the stair **treads**.
- 3) Energy Upgrades Items including replacing the single paned windows **and** sliding glass doors with new double paned windows and doors, and individual metering.

All rehabilitation will be conducted with the tenants-in-place, and with minimal disruption. The Agency will also require that the recommendations, if any, of the Seismic Safety Study, Handicapped Accessibility **Report**, and Termite and **Dry Rot Report** be included in the scope of work.

OCCUPANCY RESTRICTIONS

CHFA:

20% of **the** units will be restricted to 50% or less of median income, and **80% of** the units will be restricted to 60% or less of median income.

797

CITY OF **OAKLAND**: Affordability restrictions with the City of Oakland are pending but they are not expected to impact the project underwriting or management.

ENVIRONMENTAL

A Phase I environment report has is currently being reviewed. Any requirements **recommended** by the report will be a condition of permanent loan close.

ARTICLE 34

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

DEVELOPMENT TEAM

Borrower's Profile

Christian Church Homes of Northern California

Christian Church Homes of ~~Northern~~ California ("CCH") is a private 501(c) (3) nonprofit corporation. CCH was founded in **1961** by ecumenical and community groups to provide housing and supportive service needs of low-income seniors in the Bay Area and **other** Northern California markets. **To** date CCH has developed eleven (**11**) affordable senior housing facilities under the **HUD 202** and **236** Programs, for a total of **1,027** units in nine (9) cities across the Greater Bay Area and Northern California.

Contractor

No contractor is required based upon the contemplated rehabilitation proposed at the subject property. Costs for the project have been determined by **CCH** construction staff and CHFA's PNA study.

Architect

No architect is required based upon the contemplated rehabilitation proposed at the subject property.

Management Agent

Christian Church Homes of Northern California

As of May **2001**, CCH provides management services and on-site Social Services Coordination for thirty-six (36) facilities throughout the Greater Bay Area and Northern California, providing over **3,500** residential units serving over **4,500** moderate to extremely low-income persons. Thirty-one (31) of the facilities are reserved for seniors **62** years of age and older.

Project Summary

Date: 24-Oct-01

Project Profile:

Project: Southlake Tower
Location: 1501 Alice Street
 Oakland 94612
County: Alameda
Borrower: Christian Church Homes
Appraiser: Jim Liska
Appraisal Rev.: Chris Carneighi
Cap Rate: 8.00%
Market: \$8,190,000
Income: \$8,130,000
Final Value: \$8,130,000

Program: 501C(3)
CHFA #: 01040N

LTCLTV:
Loan/Cost 71.8%
A Loan/Value 80.0%
A & B Loans/Value 80.0%

Project Description:

Units 130
Handicap Units 0
Bldge Type Acquisition
Buildings 1
Stories 8
Gross Sq Ft 96.611
Land Sq Ft 34.730
Units/Acre 163
Total Parking covered 31
Parking 0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	\$6,500,000	\$50,000	5.50%	30
CHFA Second Mortgage	\$820,000	\$6,308	6.50%	15
Oakland AHP	\$1,445,266	\$11,117	3.00%	30
Seller Reserves	\$283,634	\$2,182		
Contributions From Operations				
Borrower Contribution				
Deferred Developer Equity				
Tax Credit Equity				
CHFA Bridge				
CHFA Second Mortgage				

Unit Mix:

Type	Manager		AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
1 bedroom	1	0	0	0	26	716	103	860	0	0	130
2 bedroom	0	0	0	0	0	0	0	0	0	0	0
3 bedroom	0	0	0	0	0	0	0	0	0	0	0
4 bedroom	0	0	0	0	0	0	0	0	0	0	0
subtotal	1		0		26		103		0		130

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	security
Loan fees	2.00% of Loan Amounts	\$146,400	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	\$73,200	Letter of Credit
Inspection fee	\$1,500 x months of construction	\$3,000	Cash
Construction Defect	2.50% of Hard Costs	\$10,000	Letter of Credit
Reserves			
Utility Stabilization Reserve	150.00% of Utilities	\$179,000	Cash
Operating Expense Reserve	10.00% of Gross Income	\$151,682	Letter of Credit
Initial Deposit to Replacement Reserve	\$1,000 Per Unit	\$130,000	Cash
Replacement Reserve Deposit	\$350 Per Unit	\$45,500	operations
Transition Operating Reserve	20.00% of Gross Income	\$300,000	Operations
Completion Guarantee	20.00% Rehab Costs	\$80,000	Letter of Credit

Sources and Uses

Southlake Tower

SOURCES:

<i>Name of Lender/ Source</i>	Amount	\$ per sq ft	\$ per unit
CHFA First Mortgage	6,500,000	67	50,000
CHFA Bridge	0	0	0
CHFA Second Mortgage	820,000	8	6,308
Oakland	1,445,266	15	11,117
Total Institutional Financing	8,765,266	91	67,425
<i>Equity Financing</i>			
Seller Resewes	283,634	3	2,182
Tax Credits	0	0	0
Deferred Developer Equity	0	0	0
Total Equity Financing	283,634	3	2,182
TOTAL SOURCES	9,048,900	94	69,607

USES:

Acquisition	8,130,000	84	62,538
Rehabilitation	400,000	4	3,077
New Construction	0	0	0
Architectual Fees	0	0	0
Suvey and Engineering	0	0	0
Const. Loan Interest & Fees	0	0	0
Permanent Financing	159,900	2	1,230
Legal Fees	10,000	0	77
Reserves	309,000	3	2,377
Contract Costs	12,000	0	92
Construction Contingency	0	0	0
Local Fees	0	0	0
TCAC/Other Costs	18,000	0	138
PROJECT COSTS	9,038,900	94	69,530
Developer Overhead/Profit	0	0	0
Consultant/Processing Agent	10,000	0	77
TOTAL USES	9,048,900	94	69,607

Annual Operating Budget

Southlake Tower

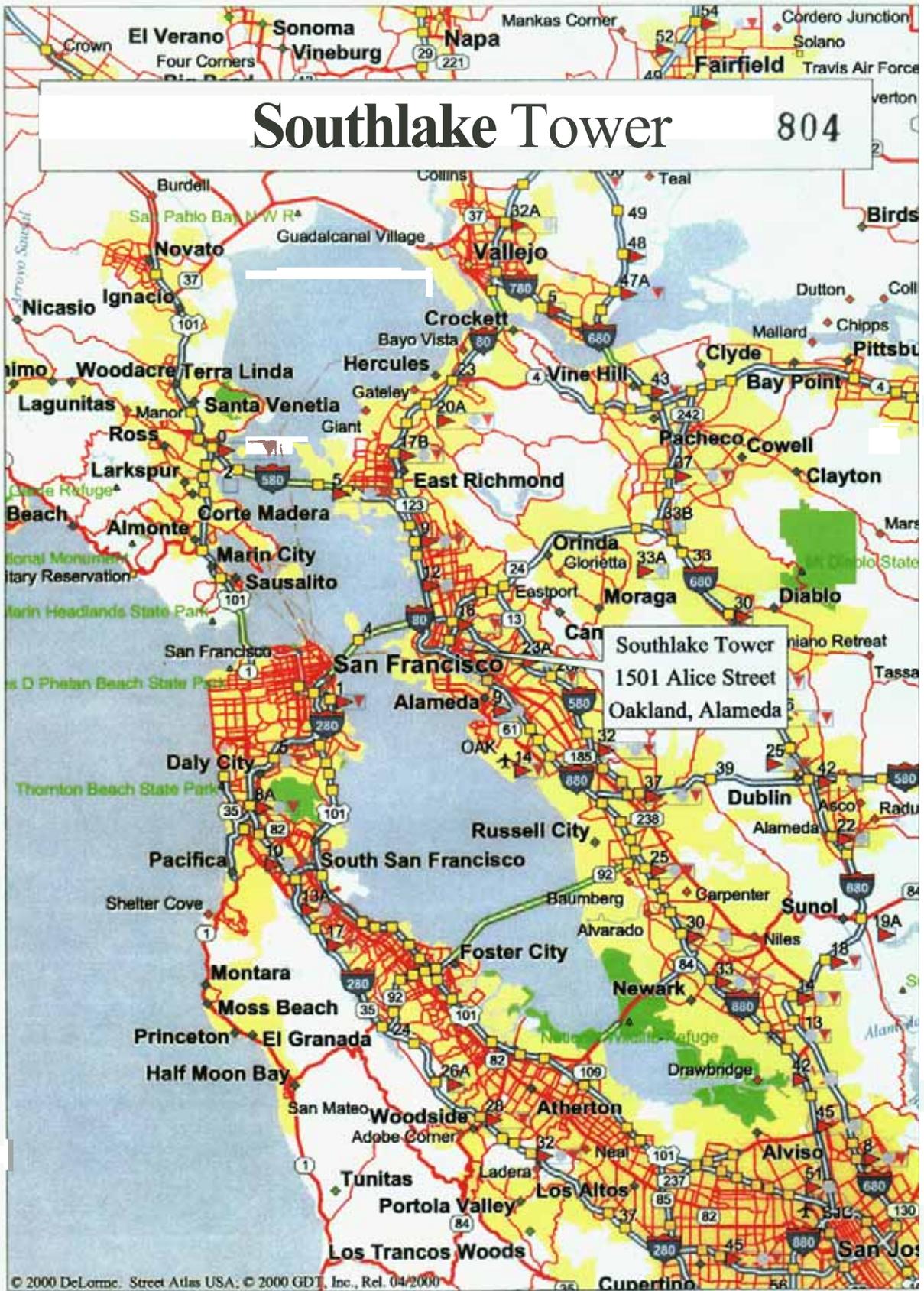
		\$ per unit
INCOME:		
Total Rental Income	1,516,824	11,668
Laundry	7,800	60
Other Income	70,511	542
Commercial/Retail	0	-
Gross Potential Income (GPI)	1,595,135	12,270
Less:		
Vacancy Loss	64,308	495
Total Net Revenue	1,530,827	11,776
EXPENSES:		
Payroll	170,707	1,313
Administrative	146,875	1,130
Utilities	153,050	1,177
Operating and Maintenance	150,850	1,160
Insurance and Business Taxes	47,775	367
Taxes and Assessments	16,488	127
Reserve for Replacement Deposits	45,500	350
Subtotal Operating Expenses	731,245	5,625
Financial Expenses		
Mortgage Payments (1st loan)	442,875	3,407
Total Financial	442,875	3,407
Total Project Expenses	1,174,120	9,032

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Section 8 Increment	281,183	286,807	292,543	298,394	304,362	310,449	318,658	322,991	329,451	336,040
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Affordable Rents	1,567,817	1,599,173	1,631,157	1,663,780	1,697,055	1,730,996	1,765,616	1,800,929	1,836,947	1,873,686
TOTAL RENTAL INCOME	1,849,000	1,885,980	1,923,700	1,962,174	2,001,417	2,041,445	2,082,274	2,123,920	2,166,398	2,209,726
OTHER INCOME										
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Laundry	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	0									
GROSS INCOME	1,849,000	1,885,980	1,923,700	1,962,174	2,001,417	2,041,445	2,082,274	2,123,920	2,166,398	2,209,726
VacancyRate: Section 8 Increment	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	92,450	94,299	96,185	98,109	100,071	102,072	104,114	106,196	108,320	110,486
EFFECTIVE GROSS INCOME	1,756,550	1,791,681	1,827,515	1,864,065	1,901,346	1,939,373	1,978,161	2,017,724	2,058,078	2,099,240
OPERATING EXPENSES										
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	944,053	977,094	1,011,293	1,046,688	1,083,322	1,126,655	1,171,721	1,218,590	1,267,333	1,318,027
Replacement Reserve	50,164	50,164	50,164	50,164	52,672	52,672	52,672	52,672	52,672	55,306
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	20,099	20,501	20,911	21,329	21,756	22,191	22,634	23,087	23,549	24,020
TOTAL EXPENSES	1,014,315	1,047,759	1,082,367	1,118,181	1,157,749	1,201,517	1,247,027	1,294,349	1,343,554	1,397,352
NET OPERATING INCOME	742,235	743,922	745,147	745,884	743,597	737,856	731,133	723,375	714,524	701,888
DEBT SERVICE										
CHFA - 1st Mortgage	442,875	442,875	442,875	442,875	442,875	442,875	442,875	442,875	442,875	442,875
CHFA - Bridge Loan										
CHFA Second Mortgage	85,717	85,717	85,717	85,717	85,717	0	0	0	0	0
Cash flow after CHFA loans	213,643	215,330	216,555	217,292	215,004	294,980	288,258	280,499	271,649	259,012
DCR CHFA A&B	1.40	1.41	1.41	1.41	1.41	1.67	1.65	1.63	1.61	1.58
TOR Payment										
Residual Cash	213,643	215,330	216,555	217,292	215,004	294,980	288,258	280,499	271,649	259,012

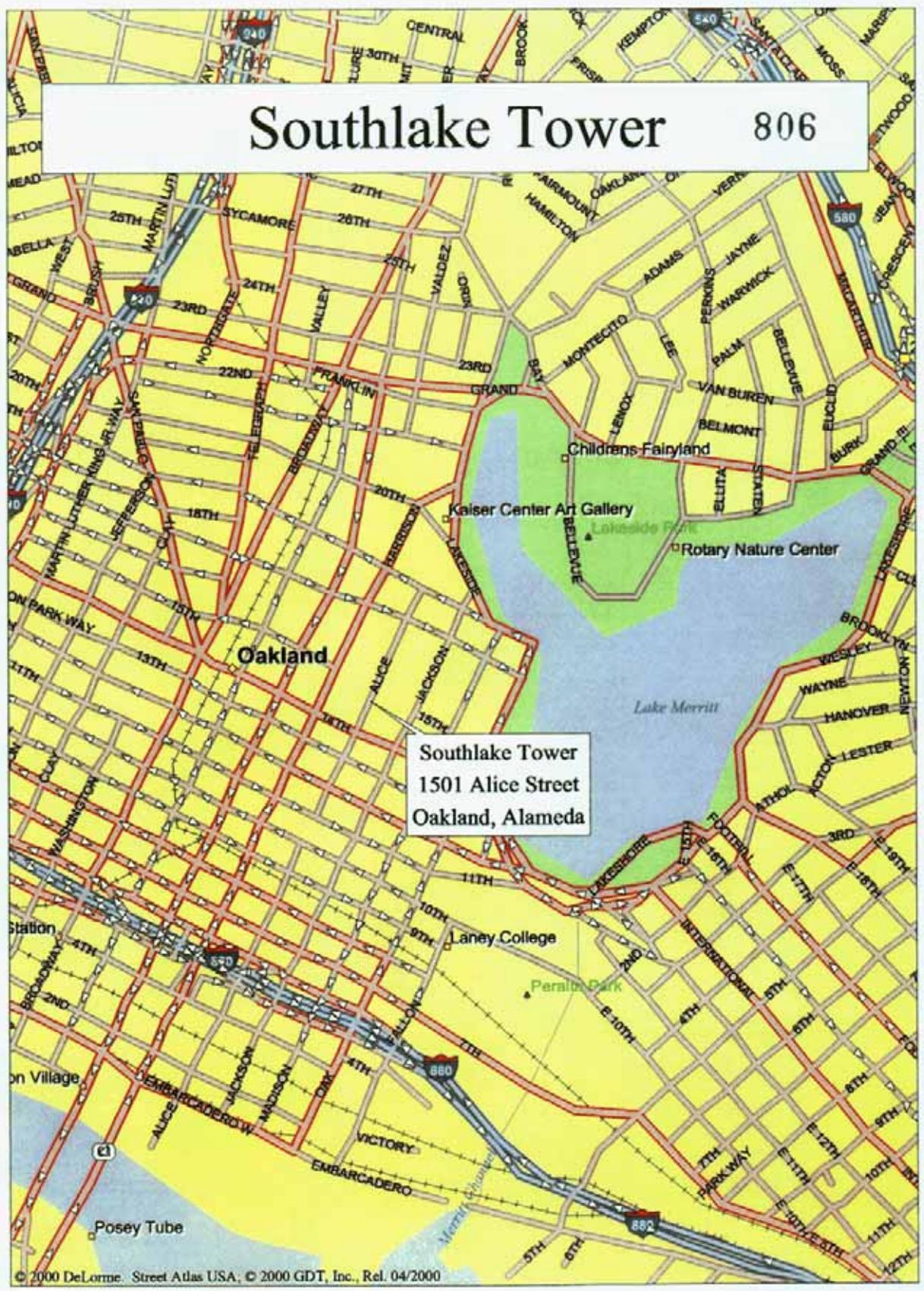
Southlake Tower

804



Southlake Tower

806



Southlake Tower
1501 Alice Street
Oakland, Alameda

RESOLUTION 01-33

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Christian Church Homes of Northern California (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 130-unit multifamily housing development located in the City of Oakland to be known as Southlake Tower (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated October 24, 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 October 24, 2001, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

<u>PROJECT NO.</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NO. UNITS</u>	<u>LOAN AMOUNT</u>
01-040-N	Southlake Tower Oakland/Alameda	130	
		First Mortgage:	\$6,500,000
		Second Mortgage:	\$ 820,000



1 Resolution 01-33

2 Page 2

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

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

14 I hereby certify that this is a **true** and correct copy of Resolution 01-33 adopted at a duly
15 constituted meeting of the Board of the Agency held on November 8, 2001, at Millbrae,
16 California.

17 ATTEST: _____
18 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 \$1,700,000 at **3.00%**, interest only, for two years. The permanent loan will be a leasehold mortgage.

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. 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:	Tax-Exempt
Loan to Lender Loan:	\$1,700,000
Interest Rate:	3.00%
Term:	2 years interest only
Financing:	Tax-Exempt

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**

831

CHFA Lender Loan will be re-paid at permanent loan closing by the CHFA permanent loan, the HCD-MHP loan, the **LAHD** Loan, and tax credit equity.

An interest rate subsidy of **\$76,000** will be required to reduce the interest rate on both loans from **5.70%** to 3.00 %. These loans afford the Agency **an** opportunity to utilize federal funding sources to deepen project affordability.

The Agency may elect to provide a tax-exempt Bridge Loan in the amount of **\$1,465,000**, for three years and at the same reduced interest rate of 3.00%.

LOCALITY INVOLVEMENT:

The project has received final commitments for reduced rate, deferred payment financing from the Los Angeles Housing Department, HCD-MHP, and 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 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"). If the project does not get this grant, the Borrower will provide sufficient equity to fill the gap-

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 both Low Income Housing Tax Credits and Historic Tax Credits.

The previous owner defaulted on a \$300,000 Los Angeles Community Redevelopment Agency Loan. Instead of foreclosing on the loan, the CRA assigned the loan to the Sponsor. Principal and interest will be deferred for **20** years, and the CRA has agreed to subordinate to the Agency and **the** other permanent lenders.

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 \$250,000 at 50 basis points below prime (currently 6.00%). The VEDC

loan will have a ten-year term, but payments will be amortized 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 were originally federal **funds**. They were granted to VEDC by the Economic Development Agency 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 a 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 mortgage.

SPECIAL NEEDS PROGRAM :

Eight units will be reserved for special needs persons. **Four (4)** of the eight **(8)** special needs units will be reserved for homeless persons with disabilities. The remaining four **(4)** units will be reserved for homeless persons, and 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 1-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.

833

Supportive services will include:

- o Assistance in accessing government benefits
- o Access to job training programs
- o Assistance finding jobs or sheltered workshop placements
- Referrals for treatment and social services depending upon disability
- o Services provided in multiple languages, translation services and ESL classes
- o Personal and family counseling
- o Immigration assistance
- Senior services
- o 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 Hongwongi 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 **façade**, clean lines and arched thematic windows on the residential levels frame which bringing 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 comer 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 W e** (restaurant) and a second commercial space (formerly **Anzen** Hardware), and **24 SRO** units on the second and third floors. The renovation budget is \$2,040,000. Of **this 75%** is allocated to the residential units and **25%** to the commercial space.

The **24** 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, and 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, modern **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 the 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 had 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, and four of the bus lines stop 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	\$477		\$1,100	\$623	44%
Studio					
35% AMI	\$309	\$637	\$925	\$616	36%
50%	\$452	\$637	\$925	\$473	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 \$314.

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 (7) will be restricted to 50% or less of **area** median income. CHFA will also require that 40% of the unit's (7) be rented to special needs residents for a period of 10 years.
- TCAC** 100% of the units (16) will be restricted to 60% or less of area median income for 55 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 for 10 years.
- AHP** 100% of the units (16) will be restricted to families or residents earning 50% or less of the area median income for 10 years.
- HACLA** 50% of the units (8) must be reserved for persons homeless **and** handicapped residents 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 and the **ce**ment pipe found in 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. 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 be encapsulated.

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 employ **58** full-time and part-time staff. They have built **256** units of housing to date. And, 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

Preliminary bids were solicited from three construction firms in the LA area who have solid reputations for the rehabilitation of unreinforced masonry, national register buildings. The **firms** were Driver-Eddy, Mark Sauer Construction and Pueblo Construction. The construction numbers were based on discussions with all **three** contractors, and specifically on the bid submitted by the middle bidder. The borrower plans to re-bid the project with these contractors among others **as** soon **as** the project receives design development approval **from** the National **Parks** Service.

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: 27-Sep-01

Project Profile:

Project : Far East Building
Location: 347-353 E. 1st street
 Los Angeles
County/Zip: Los Angeles
Borrower: Little Tokyo Service Center
GP: Little Tokyo Service Center
LP: National Equity Fund

Appraiser: Michael Popwell
 Michael Popwell Associates

As-Is Value \$ 700,000
After Rehab TBD
Final Value: \$ 700,000

LTC/LTV:

Loan/Cost 8.1%
Loan/Value 38.6%

Project Description:

Units 16
Handicap Units 2
Bldg Type Historic Rehab
Buildings 1
Stories 3
Residential S9 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	\$248,731	\$15,546	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/National Parks Service Grant	\$304,780	\$19,049		
LIHTC Tax Credit Equity	\$682,612	\$42,663		
Historic Tax Credit Equity	\$465,481	\$29,093		
CHFA Lender Loan	\$1,700,000	\$106,250	3.00%	2

Type	Size	Number	AMI	Rent	Max Income
Manager	319	1	NA	\$0	NA
0 BR	203-319	8	35% TCAC	\$309	\$13,353
0 BR	203-319	5	50% TCAC	\$452	\$19,075
1 BR	403	2	50% TCAC	\$477	\$21,800
		16			

Section 8 Rent	8	\$627	
Section 8 Increment	8	\$318	per unit/mo
Note : the 8 OBR units at 35% TCAC AMI rents have 10 year Section 8 Certificates			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements	Amount	Security
Commitment Fee - Permanent Loan	1.00% of Loan Amount	\$2,700	Cash
Commitment Fee - Loan to Lender	1.00% of Lender Loan	\$17,000	Cash
Bond Origination Guarantee	1.00% of Lender Loan	\$17,000	Cash or LOC
Rent Up Account	15.00% of Gross Income	\$14,900	Cash or LOC
Operating Expense Reserve	10.00% of Gross Income	\$9,933	Cash or LOC
Utility Reserve	150.00% 1st year's utilities	\$13,875	Cash
Marketing	10.00% of Gross Income	\$9,933	Cash or LOC
Construction Defects Reserve	2.50% Construction costs	\$45,065	Cash or LOC
Annual Replacement Reserve Deposit	\$350 unit	\$5,600	Operations
Replacement Reserve Deposit	\$500 unit	\$8,000	Cash

Sources and Uses

Far East Building

SOURCES:

<i>Name of Lender/ Source</i>	Total Amount	Residential Amount	Residential \$ per unit
CHFA First Mortgage	270,000	270,000	16,875
CHFA Bridge	0	0	0
HCD	515,380	515,380	32.211
VEDC - Commercial Loan	250,239	-	-
LAHD	525,000	525,000	32,813
AHP	80,000	80,000	5,000
SHP	250,000	250,000	15.625
Total Institutional Financing	1,890,619	1,640,380	118,164
Equity Financing			
Developer Equity/National Parks Service	304,780	203,080	19,049
Tax Credit Equity	1,148,311	736,584	71,769
Total Equity Financing	1,453,091	939,664	90,818
TOTAL SOURCES	3,343,710	2,580,044	208,982

USES:

	Total Amount	Residential Amount	Residential \$ per unit
Acquisition	45,128	33,846	2,821
Rehabilitation	2,042,500	1,531,875	127.656
New Construction	0	0	0
Architectural Fees	199,945	149,959	12,497
Survey and Engineering	16,800	12,600	1,050
Const. Loan Interest & Fees	182,183	154,364	11,386
Permanent Financing	8,312	7,034	520
Legal Fees	39,650	37,238	2,478
Reserves	113,149	101,148	7,072
Contract Costs	7,000	5,250	438
Construction Contingency	362,550	259,163	22,659
Local Fees	88,000	66,000	5,500
TCAC/Other Costs	51,117	42,867	3,195
PROJECT COSTS	3,156,334	2,401,343	197,271
Developer Overhead/Profit	106,000	106,000	6,625
Consultant/Processing Agent	81,376	72,701	5,086
TOTAL USES	3,343,710	2,580,044	208,982

Annual Operating Budget Far East Building

		\$ per unit
INCOME:		
Total Rental Income	98,759	6,172
Laundry	576	36
Other	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	99,335	6,208
Less:		
Vacancy Loss	3,763	235
Total Net Revenue	95,572	5,973
<hr style="border: 1px solid black;"/>		
Payroll	8,352	522
Administrative	13,713	857
Utilities	9,250	578
Operating and Maintenance	10,200	638
Insurance and Business Taxes	10,419	651
Taxes and Assessments	1,000	63
Reserve for Replacement Deposits	5,600	350
Subtotal Operating Expenses	58,534	3,658
Financial Expenses		
Mortgage Payments (1st loan)	31,286	1,955
Total Financial	31,286	1,955
Total Project Expenses	89,820	5,614

Cash Flow Far East Building CHFA # 01-008-L

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RENTAL INCOME										
Market Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Section 8 units	60,192	61,396	62,624	63,876	65,154	66,457	67,786	69,142	70,525	71,935
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Non-Section 8 Affordable Units	38,567	39,531	40,519	41,532	42,570	43,634	44,725	45,843	46,990	48,164
TOTAL RENTAL INCOME	98,759	100,927	103,143	105,408	107,724	110,091	112,511	114,985	117,514	120,099
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	710
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	99,335	101,517	103,748	106,028	108,360	110,743	113,179	115,670	118,216	120,819
Vacancy Rate : Section 8	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
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	3,763	3,848	3,935	4,024	4,115	4,208	4,303	4,401	4,500	4,602
EFFECTIVE GROSS INCOME	95,572	97,669	99,813	102,005	104,245	106,535	108,876	111,269	113,716	116,216
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	51,934	54,011	56,172	58,419	60,755	63,185	65,713	68,341	70,733	73,209
Replacement Reserve	5,600	5,600	5,600	5,600	5,600	5,880	5,880	5,880	5,880	5,880
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	1,000	1,020	1,040	1,061	1,062	1,104	1,126	1,149	1,172	1,195
TOTAL EXPENSES	58,534	60,631	62,812	65,080	67,438	70,170	72,719	75,370	77,785	80,284
NET OPERATING INCOME	37,036	37,038	37,001	36,925	36,807	36,365	36,157	35,899	35,931	35,932
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	3,587	3,587	3,550	3,474	3,356	2,915	2,708	2,448	2,480	2,482
DEBT COVERAGE RATIO	1.11	1.11	1.11	1.10	1.10	1.09	1.08	1.07	1.07	1.07

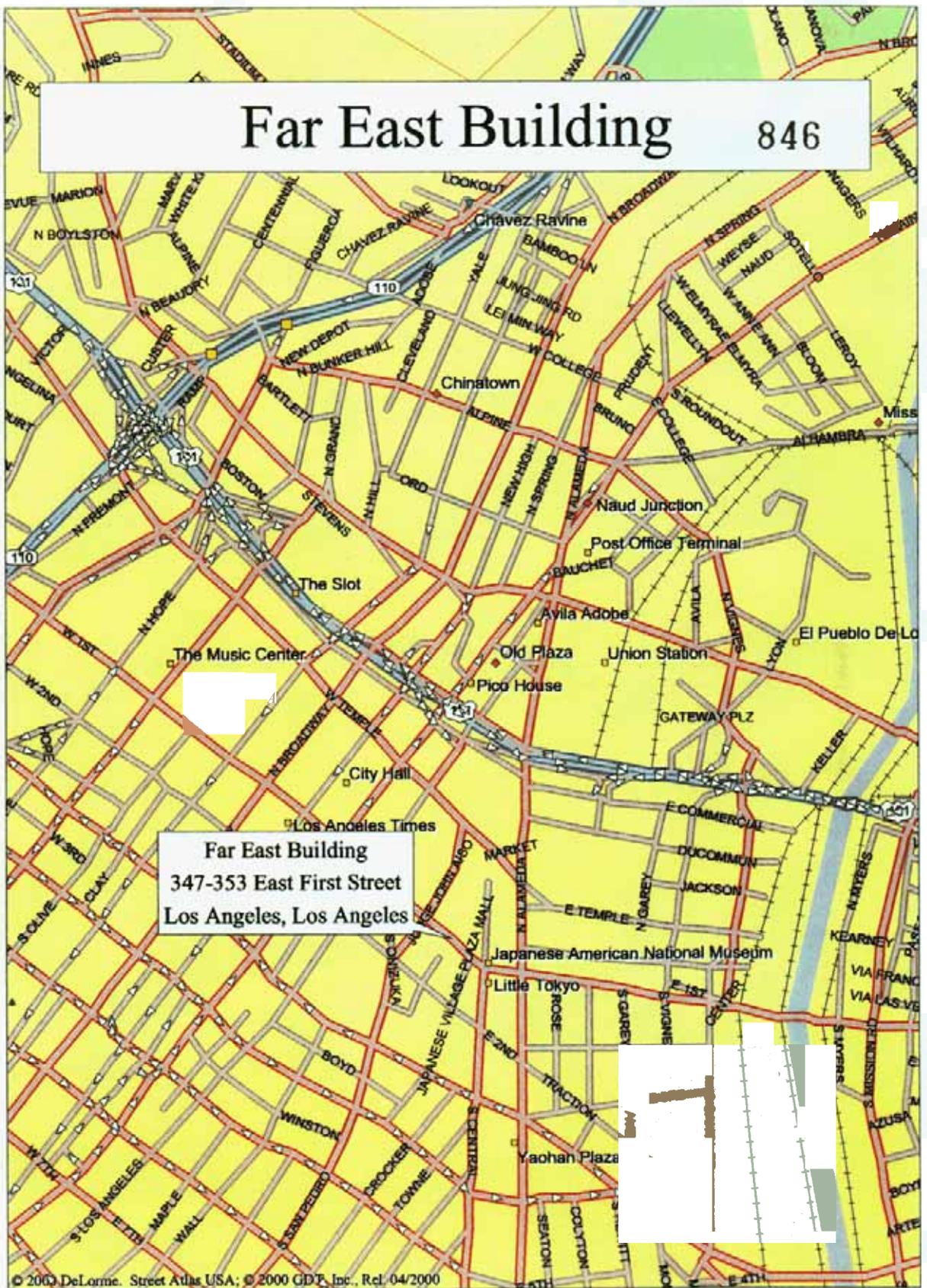
Far East Building

844

Far East Building
347-353 East First Street
Los Angeles, Los Angeles

Far East Building

846



Far East Building
347-353 East First Street
Los Angeles, Los Angeles

RESOLUTION 01-35

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 September 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:

<u>PROJECT NO.</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NO. UNITS</u>	<u>LOAN AMOUNT</u>
01-008-L	Far East Building Los Angeles/Los Angeles	16	First Mortgage: \$270,000 Loan-to-Lender: \$700,000

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

1 Resolution 01-35
2 Page 2

3 Deputy Director or the Director of Multifamily Programs of the Agency, change the legal,
4 financial or public purpose aspects of the final commitment in a substantial or material
5 way.

6 I hereby certify that this is a true and correct copy of Resolution 01-35 adopted at a duly
7 constituted meeting of the Board of the Agency held on November 8, 2001, at Millbrae,
8 California.

9 ATTEST: _____
10 Secretary

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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. Upon completion of project renovation the Agency will make 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 \$1,213,645 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.

Prior to Agency loan funding, CHFA will require formal approval from the DHSJ of the project’s rehabilitation plan (scope of work) and the CHFA financing transaction.

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 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 multi-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 Clara 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	68%
Unrestricted	\$ 1,124		\$ 531	68%

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 are 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. 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 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 Pest 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

817

Date: 27-Aug-01

Project Profile:

Project: Country Hills
Location: 124 Rancho Drive
 San Jose
County/Zip: Santa Clara 95117
Borrower: Mid-Peninsula Country Hills, Inc

Appraiser: Scott McFarlin
 PGP, Inc
Cap Rate: 7.75%
Market: \$ 19,750,000
Income: \$ 19,750,000
Final Value: \$ 19,750,000

Program: Tax Exempt - 501c3
CHFA#: 01-036-N

LTCLTV:
Loan/Cost 91.7%
Loan/Value 47.6%

Project Description:

Units 152
Handicap Units 0
Bldg. Type Rehabilitation
Buildings 11
stories 2
Gross Sq Ft 91,785
Land Sq Ft 236,611
Units/Acre 27.90
Total Parking 231
Covered Parking 152

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA Mortgage	\$9,400,000	\$61,842	6.00%	30
City of San Jose	\$1,141,373	\$7,509	3.00%	30
		\$0		
		\$0		
Project Reserves	\$553,500	\$3,641		
Borrowers Cash Reserves	\$300,000	\$1,974		
Deferred Developer Fee	\$0	\$0		
Tax Credit Equity	\$0	\$0		
CHFA Bridge.	\$0	\$0	0.00%	0.00
CHFA HAT	\$0	\$0	0.00%	0.00

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
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	Unrestricted*	\$891	
1 BR		37	Unrestricted*	\$1,012	
2 BR		29	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 Stabilization Reserve	*150% Utility Costs	\$97,500	Letter of Credit
Operating Expense Reserve	N/A of Gross Income	\$0	0
Marketing Reserve	N/A 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

Sources and Uses

Country Hills

818

SOURCES:

<i>Name of Lender/ Source</i>	Amount	\$ per unit
CHFA Mortgage	9,400,000	61,842
0	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	67,451

USES:

Glendale Federal	130,161	856
City of San Jose	1,213,645	7,985
CHFA	5,393,500	35,484
Acquisition	0	0
Rehabilitation	2,735,893	17,999
New Construction	0	0
Architectual 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%	4,142
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

RENTAL INCOME

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Unrestricted 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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Affordable Rents	1,781,796	1,817,432	1,853,781	1,890,856	1,928,673	1,967,247	2,006,592	2,046,724	2,087,658	2,129,411
TOTAL RENTAL INCOME	1,781,796	1,817,432	1,853,781	1,890,856	1,928,673	1,967,247	2,006,592	2,046,724	2,087,658	2,129,411

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	18,605	18,977	19,356	19,744	20,138	20,541	20,952	21,371	21,798
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	18,240	18,805	18,977	19,356	19,744	20,138	20,541	20,952	21,371	21,798

GROSS INCOME

	1,800,036	1,836,037	1,872,757	1,910,213	1,948,417	1,987,385	2,027,133	2,067,676	2,109,029	2,151,210
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	91,802	93,638	95,511	97,421	99,369	101,357	103,304	105,451	107,560
EFFECTIVE GROSS INCOME	1,710,034	1,744,235	1,779,120	1,814,702	1,850,996	1,888,016	1,925,776	1,964,292	2,003,578	2,043,649

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	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	63,840	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	748,911	774,055	802,278	831,624	865,178	896,906	929,898	964,199	999,868

NET OPERATING INCOME

	989,228	997,324	1,005,065	1,012,424	1,019,372	1,022,838	1,028,871	1,034,396	1,039,378	1,043,781
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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	0	0	0	0	0
CASH FLOW after debt service	312,935	321,031	328,772	338,131	343,079	346,545	352,578	358,103	363,085	367,488
DEBT COVERAGE RATIO	1.46	1.47	1.48	1.50	1.51	1.51	1.52	1.53	1.54	1.54

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Unrestricted 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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Affordable Rents	2,171,999	2,215,439	2,259,748	2,304,943	2,351,042	2,398,063	2,446,024	2,494,945	2,544,843	2,595,740
TOTAL RENTAL INCOME	2,171,999	2,215,439	2,259,748	2,304,943	2,351,042	2,398,063	2,446,024	2,494,945	2,544,843	2,595,740
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	22,234	22,679	23,133	23,595	24,067	24,549	25,040	25,540	26,051	26,572
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER MCOME	22,234	22,679	23,133	23,595	24,067	24,549	25,040	25,540	26,051	26,572
GROSS INCOME	2,194,234	2,238,119	2,282,681	2,328,539	2,375,109	2,422,611	2,471,064	2,520,405	2,570,695	2,622,313
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	109,712	111,906	114,144	116,427	118,755	121,131	123,553	126,024	128,545	131,116
EFFECTIVE GROSS INCOME	2,081,522	2,126,213	2,160,737	2,212,112	2,256,354	2,301,481	2,347,511	2,394,461	2,442,350	2,491,191

OPERATING EXPENSES	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 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	1,074,399	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	67,384	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	1,396,620	1,454,848

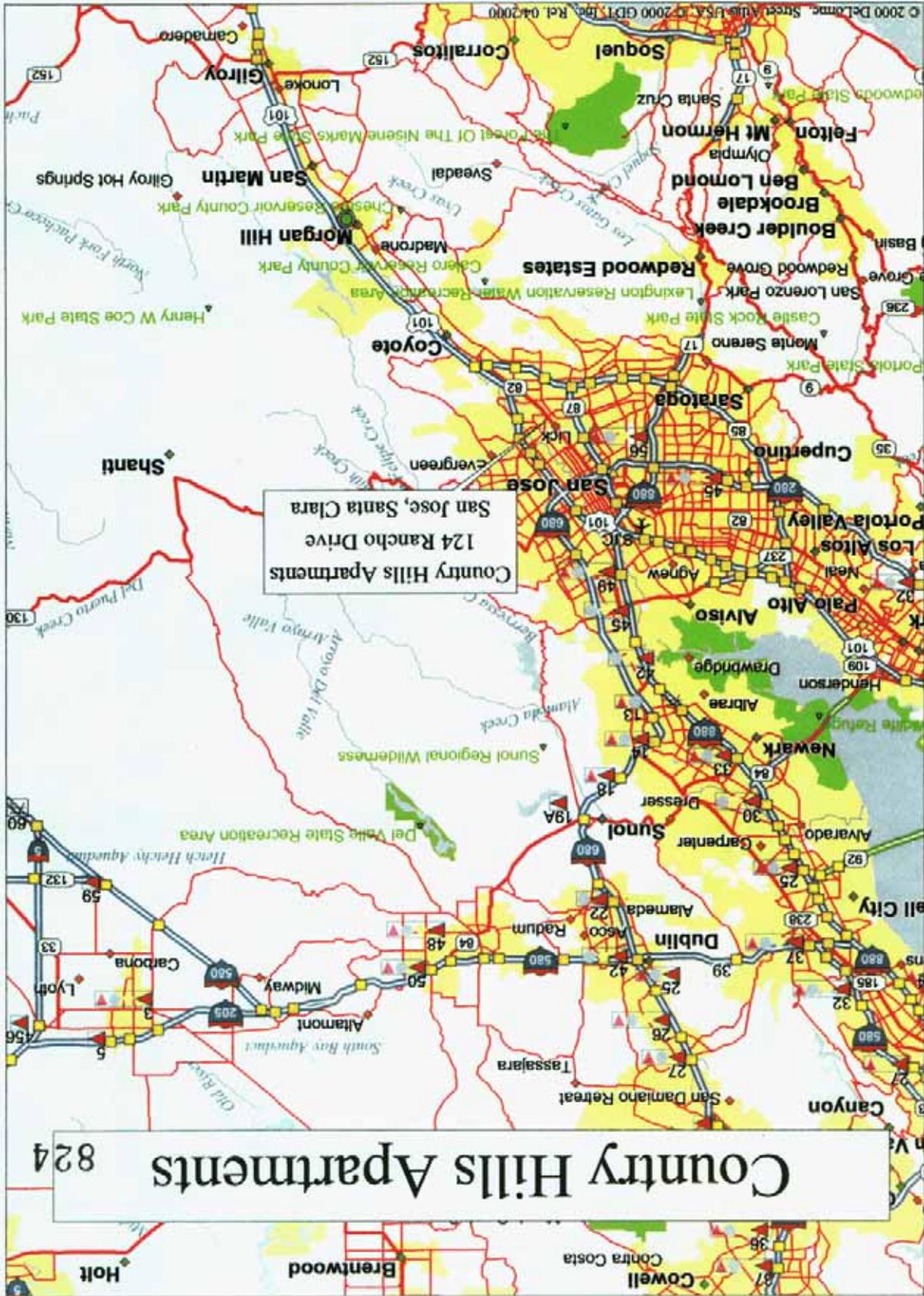
NET OPERATING INCOME	1,044,373	1,047,499	1,049,923	1,051,600	1,049,133	1,049,176	1,048,326	1,046,529	1,043,729	1,036,349
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DEBT SERVICE	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
CHFA • Mortgage	676,293	676,293	676,293	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	0	0	0	0	0
CASH FLOW after debt service	368,081	371,206	373,630	375,307	372,840	372,883	372,033	370,236	367,436	360,056
DEBT COVERAGE RATIO	1.54	1.55	1.54	1.53						

821

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Unrestricted 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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Affordable Rents	2,647,655	2,700,608	2,754,620	2,809,713	2,865,907	2,923,225	2,981,690	3,041,323	3,102,150	3,164,193
TOTAL RENTAL INCOME	2,647,655	2,700,608	2,754,620	2,809,713	2,865,907	2,923,225	2,981,690	3,041,324	3,102,150	3,164,193
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	27,104	27,646	28,199	28,763	29,338	29,925	30,523	31,134	31,756	32,391
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	27,104	27,646	28,199	28,763	29,338	29,925	30,523	31,134	31,756	32,391
GROSS INCOME	2,674,759	2,728,254	2,782,819	2,838,475	2,895,245	2,953,150	3,012,213	3,072,457	3,133,906	3,196,584
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	133,738	136,413	139,141	141,924	144,762	147,657	150,611	153,623	156,695	159,829
EFFECTIVE GROSS INCOME	2,541,021	2,591,841	2,643,678	2,696,552	2,750,483	2,805,492	2,861,602	2,918,834	2,977,211	3,036,755
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	1,413,835	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	1,566,648	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	1,031,365	1,025,194	1,017,768	1,009,017	995,173	983,549	970,369	955,549	939,002	916,755
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	0	0	0	0	0
CASH FLOW after debt service	355,072	348,901	341,475	332,724	318,880	307,256	294,076	279,256	262,709	240,462
DEBT COVERAGE RATIO	1.53	1.52	1.50	1.49	1.47	1.45	1.43	1.41	1.38	1.30

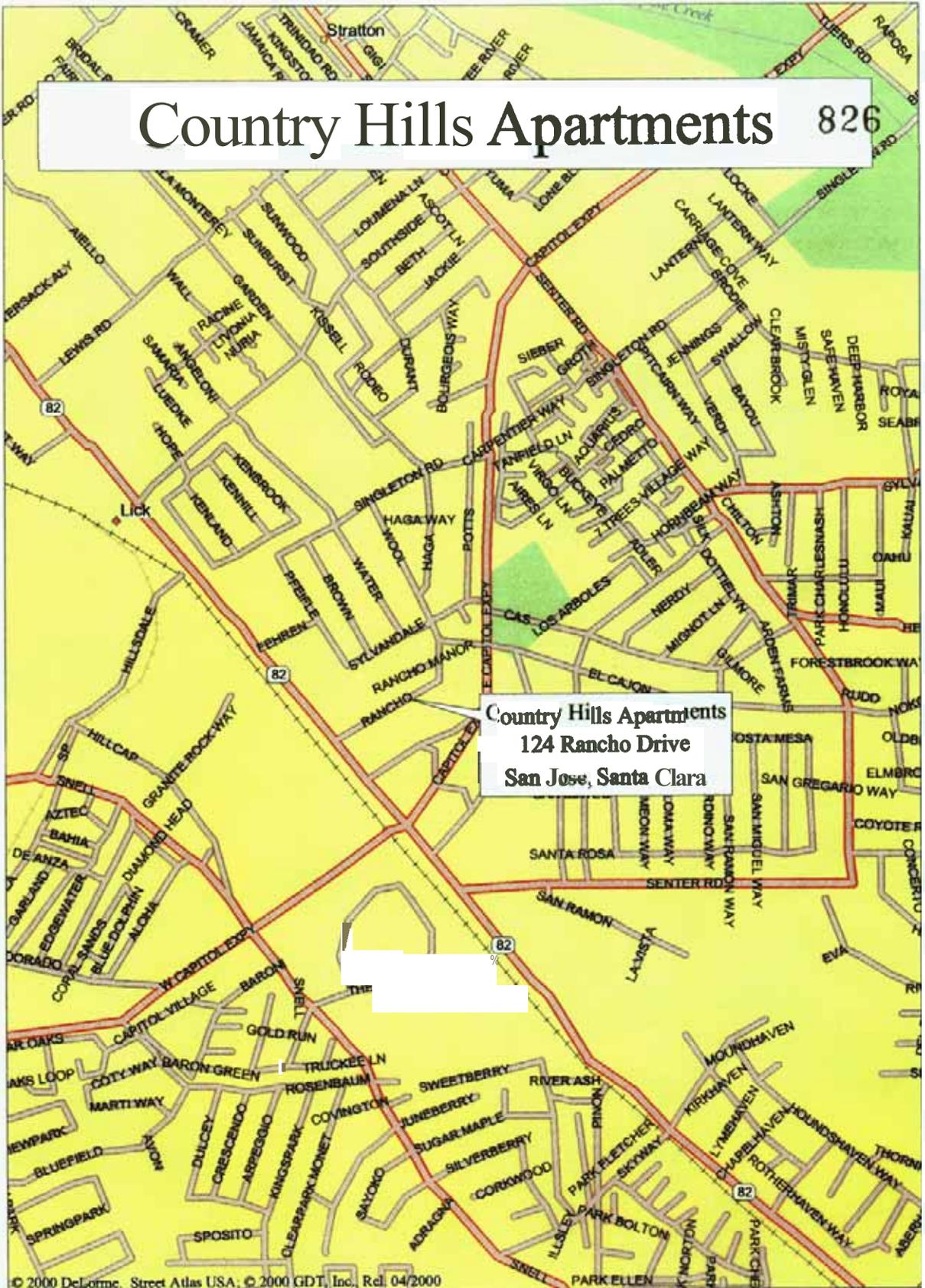
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Country Hills Apartments
124 Rancho Drive
San Jose, Santa Clara

Country Hills Apartments 824

Country Hills Apartments 826



Country Hills Apartments
124 Rancho Drive
San Jose, Santa Clara

RESOLUTION 01-40

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 Apartments (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:

<u>PROJECT NO.</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NO. UNITS</u>	<u>LOAN AMOUNT</u>
01-036-N	Country Hills Apartments San Jose/Santa Clara	152	First Mortgage: \$9,400,000

1 Resolution 01-40
2 Page 2

3
4 2. The Executive Director, or in his/her absence, either the Chief Deputy Director or
5 the Director of Multifamily Programs of the Agency is hereby authorized to increase the
6 mortgage amount **so** stated in this resolution by an amount not to exceed seven percent (7%)
7 without further Board approval.

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

15 I hereby certify that this is a true and correct copy of Resolution 01-40 adopted at a duly
16 constituted meeting of the Board of the Agency held on November 8, 2001, at Millbrae,
17 California.

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ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY**Final Commitment****Delaware Street 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 Street 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 \$774,000 in HOME funds and \$441,600 in RDA funds from the City of San Mateo and the San Mateo City Redevelopment Agency Housing and Economic Development Division. Both loans are at 3.0% for fifty years. An additional \$50,000 has been requested and approval is expected by November 15, 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 a wood and stucco exterior facade and 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:

- e Paint the exterior buildings
- e Replace bathroom plumbing
- e Seismic retrofit strengthening
- e Subsurface drainage repair in parking lot
- e New carpet and vinyl in most units
- e New Interior doors
- e Retrofit existing fire escape
- e Replace Fire Alarm System, corridor lights and smoke alarms
- e Re-carpet corridors
- e Sheetrock repairs once bathroom plumbing is replaced
- e Install 5/8" x rated drywall on to wall and ceiling for fire rating.
- e Paint kitchen cabinets
- e Fencing repairs and replace gates
- e Improve exterior lighting
- e Add GFCI outlets in units
- e Dryrot repairs
- e 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 exceeded 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 corner 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 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 than 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 through 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 condominium 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 luxury apartment units and not competitive with the project. A total of **94** units are considered to be competitive with the project, a number that 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 building code upgrades required by the San Mateo fire department resulted in both higher rent levels than otherwise anticipated and an increase in the requested loan amount from the city **and** the county.

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.

HOME & RDA:

- 13% of the units (2) will be restricted to **30%** or less of median income.
- 38% of the units (2) will be restricted to **60%** or less of median income.
- 50% of the units (8) will be restricted 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 the presence of lead based paint, asbestos, and lead in the drinking water. The updated report recommended asbestos remediation measures be taken during rehabilitation due to positive tests for asbestos. The completed water test for lead had no adverse findings.

855

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. Asbestos removal is included **as** part of the scope of rehabilitation. An O & M plan is also in place.

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
Location: 200 Delaware St
 San Mateo
County/Zip: San Mateo 94401
Borrower: HIP Inc
 GP: Hsg Assoc for Needy
 LP: TBD

Appraiser Sally Fraser, MAI
 Curtis. Rosenthal, LLC

Cap Rate: 7.00%

As-Is Value \$ 2,000,000
As-Repaid Value \$ 2,400,000
Final Value: \$ 2,400,000

LTCLTV:

Loan/Cost 52.2%
Loan/Value 57.5%

Project Description:

Units 16
Handicap Units 1
Bldg. Type Acq/Rehab
Buildings 1
Stones 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
RDA	\$441,600	\$27,600	3.00%	50
HOME Funds	\$774,400	\$48,400	3.00%	50
Other Loans	\$50,000	\$3,125	3.00%	50
AHP Funds	\$0	\$0	0.00%	
Borrowers Cash Contribution	\$0	\$0		
Other	\$0	\$0	3.00%	50
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:

<i>Name of Lender/ Source</i>	Amount	\$per unit
CHFA First Mortgage	1,380,000	86,250
CHFA HAT	0	0
RDA	441,600	27,600
HOME Funds	774,400	48,400
Pending City financing	50,000	3,125
AHP Funds	0	0
Total Institutional Financing	2,646,000	165,375
Equity Financing		
Borrowers Cash Contribution	0	0
Other	0	0
Tax Credit Equity	0	0
Total Equity Financing	0	0
TOTAL SOURCES	2,646,000	165,375

USES:

Acquisition	1,875,000	117,188
Rehabilitation	470,811	29,426
New Construction	0	0
Architectual Fees	9,200	575
Survey and Engineering	13,075	817
Const. Loan Interest & Fees	21,535	1,346
Permanent Financing Fees	40,900	2,556
Legal Fees	2,000	125
Reserves	42,660	2,666
Contract Costs	15,569	973
Construction Contingencies	31,350	1,959
Local Fees	0	0
TCAC/Other Costs	63,900	3,994
PROJECT COSTS	2,586,000	161,625
Developer Fee	60,000	3,750
Project Administration	0	0
Consultant/Processing Agent	0	0
TOTAL USES	2,646,000	165,375

Annual Operating Budget

Delaware Street Apts

\$ per unit

INCOME:

Total Rental Income	104,572	11,536
Laundry	960	60
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	185,532	11,596

Less:

Vacancy Loss	9,277	580
Total Net Revenue	176,255	11,016

EXPENSES:

Payroll	16,196	1,012
Administrative	14,305	894
Utilities	12,912	007
Operating and Maintenance	10,949	684
Insurance and Business Taxes	6,799	425
Taxes and Assessments	4,811	301
Reserve for Replacement Deposits	5,760	360
Subtotal Operating Expenses	71,732	4,483

Financial Expenses

Mortgage Payments (1st loan)	96,114	6,007
Total Financial	96,114	6,007

Total Project Expenses	167,846	10,490
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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
<i>Market Rent Increase</i>	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
<i>Affordable Rent Increase</i>	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										
<i>Other Income Increase</i>	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
<i>Vacancy Rate : Market</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<i>Vacancy Rate : Affordable</i>	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										
<i>Annual Expense Increase</i>	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
<i>Annual Tax Increase</i>	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	96,114	96,114	96,114
CHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt servic	8,409	10,273	12,147	14,030	15,634	17,531	19,434	21,340	23,248	24,854
DEBT COVERAGE RATIO	1.05	1.11	1.13	1.15	1.16	1.18	1.20	1.22	1.24	1.26

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
<i>Market Rent Increase</i>	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
<i>Affordable Rent Increase</i>	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

OMER INCOME

<i>Other Income Increase</i>	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
<i>Vacancy Rate -Market</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<i>Vacancy Rate -Affordable</i>	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

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<i>Annual Expense Increase</i>	4.00%	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	
<i>Annual Tax Increase</i>	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	114,411	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
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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 servic	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

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RENTAL INCOME										
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	318,794	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										
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	7,586	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	184,918	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										
CASHFLOW after debt servic	44,540	46,257	47,937	49,576	50,820	52,364	53,854	55,284	56,648	57,574
DEBT COVERAGE RATIO	1.46	1.48	1.50	1.52	1.53	1.54	1.56	1.58	1.59	1.60

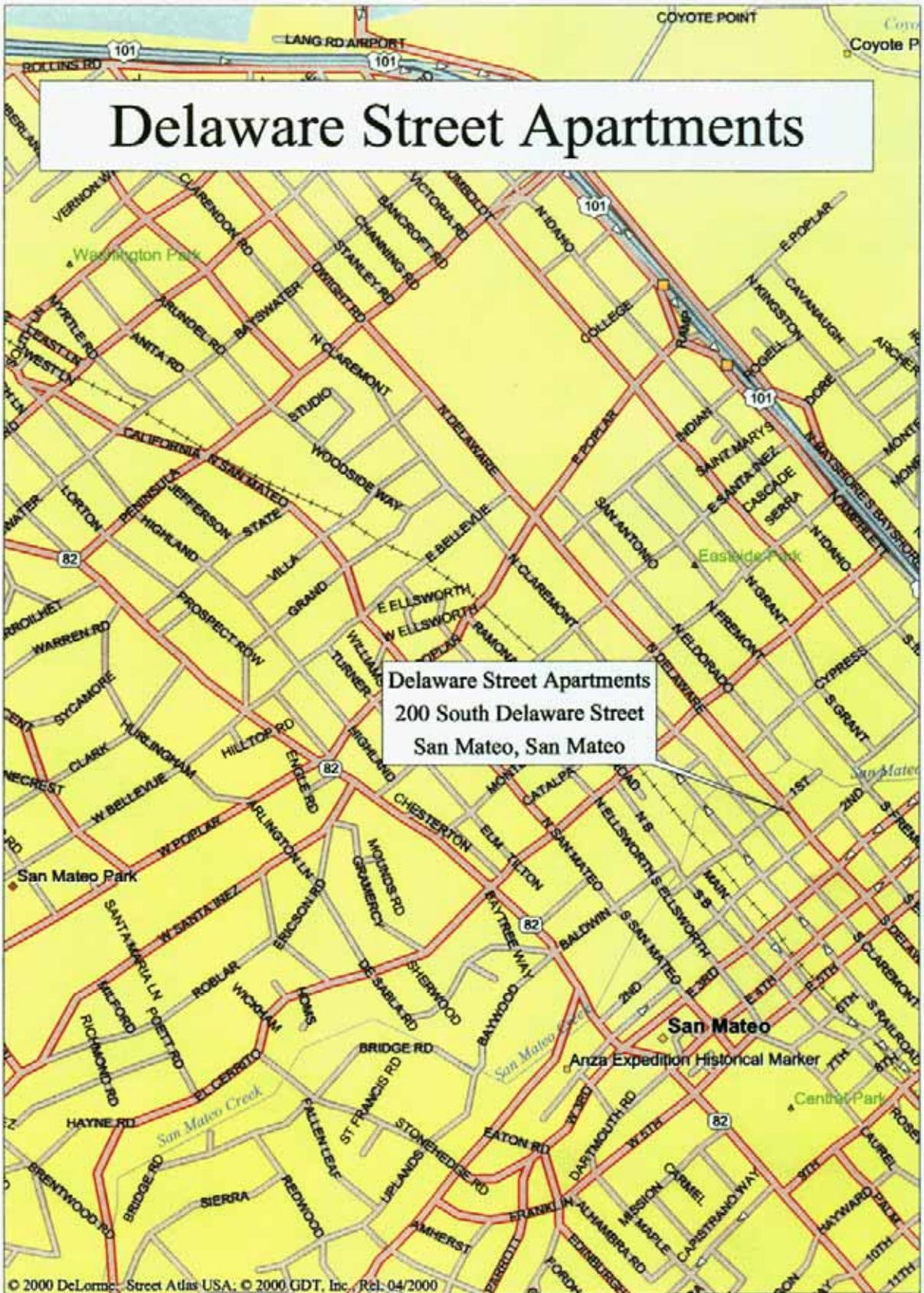
Delaware Street Apartments

Delaware Street Apartments
200 South Delaware Street
San Mateo, San Mateo



Delaware Street Apartments

Delaware Street Apartments
200 South Delaware Street
San Mateo, San Mateo



RESOLUTION 01-36

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 Disposed, 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 Street Apartments (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:

<u>PROJECT NO.</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NO. UNITS</u>	<u>LOAN AMOUNT</u>
00-033-N	Delaware Street Apartments San Mateo/San Mateo	16	First Mortgage: \$1,380,000

1 Resolution 01-36

2 Page 2

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4 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.

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7 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
8 made in the discretion of the Executive Director, or in his/her absence, either the Chief
9 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
10 way.

11 I hereby certify that this is a true and correct copy of Resolution **01-36** adopted at a duly
12 constituted meeting of the Board of the Agency held on November 8,2001, at Millbrae,
California.

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ATTEST: _____
Secretary

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M O R A N D U M**to:** Board of Directors

Date: 10-25-01

from: Terri Parker, Executive Director *TP*
CALIFORNIA HOUSING FINANCE AGENCY**subject:** Expedited Approval of Small Project Commitments

This memo is in response to an item that I mentioned at our July Board meeting that staff request the Board consider some type of grant of authority for loan commitments for very small projects. As I mentioned at the time, there are a variety of reasons for the timeliness of bringing this matter for your consideration. Clearly, we are increasing CHFA's multi-family lending overall. However, staff believes there is a unique opportunity to see if we can create more lending through an even stronger nexus with small business and small developers that are much **more** time and cost sensitive. With our Board meeting every two months, irrespective of timelines of CDLAC and TCAC board meetings, we believe that a streamlined process in specific situations could increase our business and our public benefit agenda for more affordable housing.

Staff is requesting that the Board of Directors grant to the CHFA Executive Director the authority **to** create a process that would permit the Agency to expedite small project loan commitments. Pursuant to this process, the Board would grant expedited approval authority to the Executive Director with respect to certain multifamily loan commitments for small projects, up **to** an aggregate loan amount of \$4,000,000 per project.

Over the last three years CHFA multifamily loan volumes have increased significantly, and consequently CHFA Multifamily Programs staff and the Agency's senior management have established strong underwriting, due diligence, and processing capabilities. In an effort to improve on this process and further meet the needs of affordable housing, Multifamily Programs believes that the grant of approval authority for small project loans will streamline the underwriting process and reduce overall project development costs for our borrowers. **Small** rental projects are more difficult for owners to feasibly develop, in part, because carrying costs are tied to the longer processing timeframes required for larger projects. Staff also believes that the grant of this authority will help even out the loan closing workflow, thus providing better service to our customers.

Over the past three years CHFA Multifamily Programs has brought to the Board of Directors 109 projects for approval. **48** of those project loans were under \$4,000,000 (**44%**) (Note that the amount of our small project loans have been increasing over the last few years. We would expect in the future that loans under **\$4,000,000** would constitute between one-third and forty percent of our business.) These "small project" loans averaged **40** units each. Many of them provided needed infill rental housing in high cost urban areas, and created an opportunity for small

business developers to participate in CHFA's multifamily lending program. CHFA has become a preferred source of financing for these smaller projects due to our low interest rates and pooled financing capabilities. CHFA staff has also demonstrated an ability to react quickly to financing opportunities for these smaller projects. Shortening development-financing timeframes has become a critical element of containing costs for these smaller projects.

With the increase of lending volume over the past several years, CHFA Multifamily staff and the Senior Staff Lending Committee have demonstrated a consistent capacity to provide underwriting, processing and necessary oversight for a broad range of rental projects.

The proposed approval guidelines are as follows:

- The Board of Directors will grant the authority to issue final loan commitments to the **CHFA** Executive Director and its senior management for all loans on a single project in a total amount not to exceed \$4,000,000. Once the Executive Director has approved a loan, the **\$4,000,000** limit would be subject to the same 7% increase provision as is customarily contained in Board approval resolutions. The Executive Director would develop the necessary procedures for **senior** staff review and evaluation prior to approval.
- The Executive Director of CHFA will approve loan commitments recommended by Senior Management Staff. In the Director's absence the Chief Deputy Director or the Director of Multifamily Programs may authorize and execute such loan commitments.
- The Director of Multifamily Programs will report in writing to the Board of Directors at each meeting those loan approvals authorized under this procedure for the preceding period.
- As part of CHFA's goal of increasing multi-family lending, newly developed multifamily lending programs would be presented to the Board for approval before loans made under such new programs would be included in the small project loan process.

RESOLUTION 01-37

EXECUTIVE DIRECTOR'S AUTHORITY TO ENTER INTO
MULTIFAMILY LOAN COMMITMENTS FOR SMALL PROJECTS

WHEREAS, over **40%** of the multifamily project loans approved by the Board over the last three years have had loan amounts of **\$4,000,000** or less; and

WHEREAS, the Board recognizes that such small projects are frequently difficult to develop because longer loan processing times increase development costs; and

WHEREAS, the Agency's Multifamily Program staff and management have developed strong underwriting and processing capabilities; and

WHEREAS, granting the Executive Director the authority to approve loan commitments for certain small projects will help streamline and expedite the small loan approval and closing process; and

WHEREAS, such expedited processing of small loans will benefit small projects, create processing and closing efficiencies for the Agency; and potentially increase small loan business volume for the Agency,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director may create an expedited small project process, pursuant to which loan commitments for certain small projects, as defined herein, may **be** approved by the Executive Director, or in the absence of the Executive Director, the Chief Deputy Director or the Director of Multifamily Programs.

2. The Executive Director may include within such small project process **any** loans made under existing multifamily lending programs, that do not exceed, in the aggregate, the sum of **\$4,000,000** for any single project. After approval of a small project loan or loans **by** the Executive Director, the aggregate amount of such loans for a single project may not **be** increased by an amount that exceeds \$4,000,000 by more than seven percent (7%), without the further approval by the Board of Directors.

3. The small project process established by the Executive Director shall not include loans made under newly developed multifamily lending programs that have not

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previously been presented to the Board. For the purposes of this resolution, a "newly developed" program shall be any multifamily lending program that does not otherwise exist ~~at~~ the time of this Resolution, and that, in the opinion of the Executive Director, is significantly different from existing programs in any material legal, financial, or public purpose aspect. Any newly developed program must be presented to the Board before loans for such program may be included by the Executive Director in the small project process.

4. At each regular Board meeting, the Director of Multifamily Programs will ~~report~~ to the Board in writing a list of any small project loans approved by the Agency since the proceeding regular Board meeting.

5. The Executive Director shall develop the necessary procedures to implement the small project process.

I hereby certify that this is a true and correct copy of Resolution 01-37 adopted at a duly constituted meeting of the Board of Directors of the California Housing Finance Agency held on November 8, 2001, at Millbrae, California.

ATTEST: _____
Secretary

CHFA Board of Directors Meeting November 8, 2001

	BROKER	INSURER	PROPOSED COVERAGE	BASIC TERMS	ANNUAL PREMIUM
1.	Driver Risk Services	Royal Indemnity Company	General Liability, D&O, Employment Practices, Errors & Omissions	\$5 million limit \$100,000 per occurrence retention	\$125,000
2.	Driver Risk Services	AIG	Declined to quote	N/A	N/A
3.	Driver Risk Services	Specialty National Insurance	Declined to quote	N/A	N/A
4.	Driver Risk Services	Chubb/Executive Risk	Declined to quote	N/A	N/A
5.	Driver Risk Services	Gulf Insurance Group	Declined to quote	N/A	N/A
6.	Driver Risk Services	Monitor Liability Managers	Declined to quote	N/A	N/A
7.	Driver Risk Services	Shand Morahan Company	Declined to quote	N/A	N/A
8.	Driver Risk Services	Royal Specialty	Declined to quote	N/A	N/A
9.	Driver Risk Services	RLI	Declined to quote	N/A	N/A
10.	John O. Bronson	Royal Indemnity	D&O, Employment Practices	\$1 million limit \$100,000 retention	\$55,000
11.	John O. Bronson	Royal Indemnity	D&O, Employment Practices	\$2 million \$100,000 retention	\$88,000

12.	John O. Bronson	Royal Indemnity	D&O, Employment Practices	\$3 million \$100,000 retention	\$105,000
13.	John O. Bronson	Carolina Casualty	Declined to quote	N/A	N/A
14.	John O. Bronson	AIG	Declined to quote	N/A	N/A

EXISTING CHFA LIABILITY INSURANCE COVERAGE

(DOES NOT INCLUDE D&O OR EMPLOYMENT PRACTICES COVERAGE)

	BROKER	INSURER	COVERAGE	BASIC TERMS	PREMIUM
1.	John O. Bronson	Zurich Insurance	Commercial Liability	\$2 million aggregate \$1 million per occurrence	\$22,771
2.	John O. Bronson	Zurich Insurance	Commercial Umbrella/Excess	\$5 million aggregate \$5 million per Occurrence	\$4538
3.	John O. Bronson	Fireman's Fund	Excess Liability	\$10 million aggregate \$10 million per Occurrence	\$8820

Total Premium: \$36,129

MEMORANDUM

To: Board of Directors

Date: October 25, 2001



Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: APPROVAL OF THE FORM OF INDENTURE FOR DRAWDOWN BONDS
RESOLUTION 01-39

Attached for Board approval is a resolution and form of indenture for a new financing vehicle called drawdown bonds. The drawdown bonds will be unrated and privately placed, help reduce transaction costs connected with preserving tax-exempt bond authority for future use, and provide an alternative to our usual issuance of notes for this purpose under our single family bond indentures. The drawdown bonds may also be used to help us manage tax-exempt authority for multifamily bonds. The bonds will be issued in variable rate form and will have monthly rate resets based on an index. The bonds will be secured solely by their proceeds, which will be invested in an investment agreement. The investment agreement backing the bonds will bear interest at rates equal to or slightly in excess of the bonds, based on the same index as the bonds.

The first use of drawdown bonds is anticipated in January 2002 to preserve tax-exempt authority resulting from bond principal retirements that will occur on February 1. If the amount is \$50 million, transaction savings will be \$50,000 - \$75,000, compared to our usual note issuance.

Resolution 01-39, if adopted, would amend last January's resolutions (01-04 and 01-05) to authorize the drawdown bonds and the related indenture. We expect to include comparable authority in next January's resolutions for the single family and multifamily programs.

Attachments

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RESOLUTION NO. 01-39

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY TO FACILITATE THE SINGLE FAMILY HOUSING PROGRAM OF THE AGENCY AND THE MULTIFAMILY HOUSING PROGRAM OF THE AGENCY BY AMENDING RESOLUTION NO. 01-04 AND RESOLUTION NO. **01-05** TO AUTHORIZE THE ISSUANCE OF BONDS UNDER **A** NEW FORM OF "DRAW DOWN" INDENTURE

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance to persons and families of low or moderate income to enable them to purchase moderately priced single family residences;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs to make ~~lower-than-~~market-rate loans for the permanent financing of such residences;

WHEREAS, the Agency ~~has~~ determined that there exists ~~a~~ need in California for the financing of mortgage loans for the construction or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (together with the programs described in the second WHEREAS clause of this resolution, the "Program") ~~to~~ make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such developments; ~~and~~

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

WHEREAS, on January 11, 2001 the Agency adopted its Resolution ~~No.~~ 01-04 and its Resolution No. 01-05 authorizing the issuance of bonds to provide funds to finance the Program;

WHEREAS, the Agency has determined that in order to provide additional funds to finance the Program it is in the public interest to authorize additional bonds to be issued pursuant to a proposed form of transaction generally referred to ~~as~~ a draw down program;

WHEREAS, the bonds proposed to be issued by the Agency under the draw down program are to be limited obligations of the Agency payable solely from certain amounts on deposit under the indenture relating thereto; and

WHEREAS, the Agency now desires to amend Resolution No. 01-04 and Resolution ~~No.~~ 01-05 to authorize the issuance of the draw down bonds and to approve a new form of indenture under which the Agency may issue such bonds;

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

Section 1. Approval and Authorization of Draw Down Bonds. In order to authorize the issuance of one or more series of draw down bonds:

(A) Section 1 of Resolution No. 01-04 is hereby amended to move the word “and” from immediately before subsection (c) thereof to immediately after such subsection (c) and to add thereafter a new subsection (d) to read as follows:

“(d) if and to the extent one or more of such series of Bonds is issued pursuant to a draw down indenture in the form approved by Section 3(i) hereof, \$500,000,000”; and

(B) Section 1 of Resolution No. 01-05 is hereby amended to move the word “and” from immediately before subsection (d) thereof to immediately after such subsection (d) and to add thereafter a new subsection (e) to read **as** follows:

“(e) if and to the extent one or more of such series of Bonds is issued pursuant to a draw down indenture in the form approved by Section 3(a)(18) hereof, \$100,000,000”.

Section 2. Authorization and Timing. In order to authorize the time or times for the issuance of draw down bonds:

(A) Section 2 of Resolution No. 01-04 is hereby amended to add a phrase to the end of said section to read as follows:

“; provided further that for purposes of this section Bonds of the type and up to the amount specified in Section 1(d) of this resolution issued pursuant to the same indenture shall be deemed to be issued on the first date on which any of such Bonds are sold by the Agency”; and

(B) Section 2 of Resolution No. 01-05 is hereby amended to add a phrase to the end of said section to read **as** follows:

“; and provided further that for purposes of this section Bonds of the type and up to the amount specified in Section 1(e) of this resolution issued pursuant to the same indenture shall be deemed to be issued on the first date on which any of such Bonds are sold by the Agency”.

Section 3. Approval of Draw Down Bond indenture. In order to authorize the execution and delivery of one or more indentures providing for the issuance of and securing draw down bonds:

(A) Section 3 of Resolution No. 01-04 is hereby amended to move the words “and/or” from immediately before subsection (h) thereof to immediately after such subsection (h) and to add thereafter a new subsection (i) to read as follows:

“(i) the form of draw down bond indenture presented to the November 8, 2001 meeting of the Agency”; and

(B) Section 3 of Resolution No. 01-05 is hereby amended to move the word “or” from immediately before subsection (a)(17) thereof to immediately after such subsection (a)(17) and to add thereafter a new subsection (a)(18) to read as follows:

“(a)(18) the form of draw down bond indenture presented to the November 8, 2001 meeting of the Agency”.

Section 4. Ratification of Prior Actions. All actions previously taken by the officers of the Agency in connection with the issuance of draw down bonds are hereby approved and ratified.

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution **01-39** duly adopted at a regular meeting of the **Board** of Directors of the California Housing Finance Agency duly called and held on the 8th day of November, 2001, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 8th day of November, 2001.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors
of the California Housing Finance Agency

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution **01-39** duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 8th day of November, **2001**, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

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

[SEAL]

 Thomas C. Hughes
 Secretary of the Board of Directors
 of the California Housing Finance Agency

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CALIFORNIA HOUSING FINANCE AGENCY

AND

**[NAME OF TRUSTEE],
as Trustee**

TRUST INDENTURE

Dated as of January 1,2002

Pertaining to:

**CALIFORNIA HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE REVENUE BONDS,
DRAW DOWN SERIES 2002**

and

**CALIFORNIA HOUSING FINANCE AGENCY
MULTIFAMILY MORTGAGE REVENUE BONDS ,
DRAW DOWN SERIES 2002**

	Page
ARTICLE I DEFINITIONS	3
Section 1.01. Definitions	3
Section 1.02. Interpretations.....	8
Section 1.03. Content of Certificate and Opinions.....	9
ARTICLE II THE BONDS.....	10
Section 2.01. Authorization of Bonds; Security.....	10
Section 2.02. Issuance of Bonds; Additional Drawings	11
Section 2.03. Execution of Bonds.....	12
Section 2.04. Delivery of Bonds	13
Section 2.05. Temporary Bonds.....	14
Section 2.06. Bonds Mutilated, Lost, Destroyed or Stolen.....	14
Section 2.07. Registration and Exchange of Bonds; Persons Treated as Owners	14
Section 2.08. Destruction of Bonds	15
Section 2.09. Book-Entry Only System.....	15
Section 2.10. Payments to Cede & Co.....	16
Section 2.11. Validity of Bonds	17
ARTICLE III REDEMPTION	17
Section 3.01. Optional Redemption	17
Section 3.02. Notice of Redemption	17
Section 3.03. Redemption Payments	18
Section 3.04. Cancellation	18
Section 3.05. Partial Redemption of Bonds	18
Section 3.06. Effect of Redemption	18
ARTICLE IV FLOW OF FUNDS	18
Section 4.01. Creation of Funds	18
Section 4.02. Bond Escrow Fund	19
Section 4.03. Cost of Issuance Fund	19
Section 4.04. Rebate Fund	20
Section 4.05. Investment of Moneys in Funds	20
ARTICLE V PARTICULAR COVENANTS.....	21
Section 5.01. Punctual Payment	21
Section 5.02. Extension of Payment of Bonds	21

TABLE OF CONTENTS
(continued)

Section 5.03. No Other Encumbrances	22
Section 5.04. Power to Issue Bonds and Make Pledge and Assignment	22
Section 5.05. Payment of Taxes and Claims	22
Section 5.06. Accounting Records and Financial Statements.....	22
Section 5.07. Maintenance of Powers	22
Section 5.08. Tax Covenants	23
Section 5.09. Compliance with Indenture, Contracts, Laws and Regulations	23
Section 5.10. Waiver of Laws	23
Section 5.11. Further Assurances	23
ARTICLE VI EVENTS OF DEFAULT AND REMEDIES OF OWNERS	23
Section 6.01. Events of Default	23
Section 6.02. Acceleration of Maturity	24
Section 6.03. Application of Revenues and Other Funds After Default	24
Section 6.04. Trustee to Represent Owners	25
Section 6.05; Owners' Direction of Proceedings.....	26
Section 6.06. Limitation on Owners' Right to Sue	26
Section 6.07. Absolute Obligation of Agency	27
Section 6.08. Termination of Proceedings	27
Section 6.09. Remedies Not Exclusive	27
Section 6.10. No Waiver of Default	27
ARTICLE VII THE TRUSTEE.....	27
Section 7.01. Duties, Immunities and Liabilities of Trustee	27
Section 7.02. Compensation.....	30
Section 7.03. Liability of Trustee	30
Section 7.04. Right of Trustee to Rely on Documents	31
Section 7.05. Preservation and Inspection of Documents	31
Section 7.06. Money Held in Trust	32
ARTICLE VIII MODIFICATION OR AMENDMENT OF THE INDENTURE	32
Section 8.01. Amendments Permitted	32
Section 8.02. Effect of Supplemental Indenture	34
Section 8.03. Endorsement of Bonds; Preparation of New Bonds.....	34

TABLE OF CONTENTS
(continued)

	Page
Section 8.04. Amendment of Particular Bonds	34
ARTICLE IX DEFEASANCE	34
Section 9.01. Discharge of Indenture	34
Section 9.02. Discharge of Liability on Bonds	35
Section 9.03. Deposit of Money or Securities with Trustee	35
Section 9.04. Payment of Bonds After Discharge of Indenture	36
ARTICLE X MISCELLANEOUS.....	36
Section 10.01. Liability of Agency Limited to Trust Estate	36
Section 10.02. Successor is Deemed included in All References to Predecessor.....	36
Section 10.03. Limitation of Rights to Parties and Owners	36
Section 10.04. Waiver of Notice	37
Section 10.05. Destruction of Bonds	37
Section 10.06. Severability of Invalid Provisions.....	37
Section 10.07. Notices	37
Section 10.08. Evidence of Rights of Owners	37
Section 10.09. Disqualified Bonds	38
Section 10.10. Money Held for Particular Bonds	38
Section 10.11. Funds	38
Section 10.12. Waiver of Personal Liability	38
Section 10.13. Execution in Several Counterparts	38
Section 10.14. Payments Other Than on a Business Day	39
EXHIBIT A FORM OF BOND	A-1
EXHIBIT B FORM OF NOTICE OF AN ADDITIONAL DRAWING UNDER THE BONDS	B-1

TRUST INDENTURE

THIS TRUST INDENTURE, made and entered into as of January 1, 2002, by and between the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California (the "Agency") and [NAME OF TRUSTEE], as trustee (the "Trustee"),

WITNESSETH:

WHEREAS, the Agency has been created by the Zenovich-Moscone-Chacon Housing and Home Finance Act (constituting Division 31 of the Health and Safety Code of the State of California), as amended (as more particularly described herein, the "Act"), primarily for the purpose of assisting in meeting the housing needs of persons and families of low or moderate income;

WHEREAS, the Agency has determined to borrow money for its lawful purposes and to that end has duly authorized the issuance of its revenue bonds hereunder, and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, and the observance of the covenants and conditions herein contained, has authorized the execution and delivery of this Indenture;

WHEREAS, the Agency previously has issued its single family mortgage revenue bonds to finance home mortgages, in each case, made to finance the acquisition or improvement of owner-occupied single family homes located within the jurisdiction of the Agency to be occupied by persons of low and moderate income (the "Prior Bonds");

WHEREAS, to provide funds to refund the maturing principal or redemption price, as the case may be, of portions of the Prior Bonds and to preserve allocations of volume cap allocated to the Agency by the State of California, the Agency has determined that it is in the public interest to issue its Single Family Mortgage Revenue Bonds, Draw Down Series 2002 (the "Single Family Bonds") in an aggregate principal amount of not to exceed \$_____.

WHEREAS, to preserve additional allocations of volume cap allocated to the Agency by the State of California, the Agency has determined that it is in the public interest to issue its Multifamily Mortgage Revenue Bonds, Draw Down Series 2002 (the "Multifamily Bonds" and, together with the Single Family Bonds, the "Bonds") in an aggregate principal amount of not to exceed \$_____.

WHEREAS, as a result of the aforesaid refundings, certain moneys will be made available (the "Transferred Proceeds"), which Transferred Proceeds, together with moneys made available by the issuance of Bonds to preserve allocations of volume cap allocated to the Agency by the State of California, will be deposited in the Bond Escrow Fund as security for the Bonds; and

WHEREAS, the Agency expects to issue single family mortgage revenue bonds on or before _____, 200_ [date not more than 4 years after date of issuance] for the purpose of refunding the Single Family Bonds and thereby further implementing its single family mortgage revenue bond program; and

WHEREAS, the Agency expects to issue multifamily mortgage revenue bonds on or before _____, 200– [date not more than 4 years after date of issuance] for the purpose of refunding the Multifamily Bonds and thereby further implementing its multifamily mortgage revenue bond program; and

WHEREAS, the Agency has determined that all acts, conditions and things required by the Act, and by all other laws of the State of California, to exist, to have happened and to have been performed precedent to and in connection with the issuance of said revenue bonds exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the Agency is now duly authorized and empowered, pursuant to each and every requirement of law, to issue said revenue bonds for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and in evidence of only such acceptance and such other obligations as expressly provided herein has joined in the execution hereof;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

The Agency, in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the Owners thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, and in order to secure the payment of all the Bonds at any time issued and Outstanding hereunder and the premium, if any, and interest thereon according to their tenor, purpose and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, has executed and delivered this Indenture and has pledged and assigned and does hereby pledge and assign to, and grant a security interest to, the Trustee and its successors in trust forever, for the securing of the performance of the obligations of the Agency hereinafter set forth, all right, title and interest of the Agency, now or hereafter acquired, in and to the following:

I

The Investment Agreement (as defined below), together with any permitted extensions and renewals thereof, including, without limitation, the present and continuing right to make claim for, collect and receive any of the income and principal payable thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, including actions for the receipt or disposition of any collateral held thereunder, and to do any and all things which the Agency is or may become entitled to do thereunder, excluding all amounts deposited to the Cost of Issuance Fund and the Rebate Fund and amounts required to be deposited therein;

II

All other moneys and obligations to the extent pledged **as** provided in this Indenture and held pursuant to this Indenture as security for the payment of the Bonds, including the principal of, premium, if any, and the interest on the Bonds, and **as** security for the satisfaction of any other obligation assumed by the Agency in connection with the Bonds, excluding all amounts deposited to the Cost of Issuance Fund and the Rebate Fund and amounts required to be deposited therein; and

III

All proceeds of any of the foregoing pledged **to** the Bonds.

TO HAVE AND TO HOLD all and singular the Trust Estate as set forth above, whether now owned or hereafter acquired, to the Trustee and its successors in trust and assigns forever to its and their proper use;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and ratable benefit, security and protection of all present and future Owners of the Bonds issued and to be issued under and secured by this Indenture without privilege, priority or distinction **as** to the lien or otherwise (except **as** herein expressly provided) of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if, after the rights, title and interest of the Trustee in and to the estate pledged and assigned to it under this Indenture shall have ceased, terminated and become void with respect to the Bonds in accordance with Article IX hereof, then this Indenture and all covenants, agreements and other obligations of the Agency hereunder shall cease, terminate and be void, and thereupon the Trustee shall cancel and discharge this Indenture and execute and deliver to the Agency such instruments in writing as shall be required to evidence the discharge hereof; otherwise, this Indenture shall be and remain in full force and effect;

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said payments and other revenues and other income and funds hereby pledged and assigned, are to **be** dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Agency has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners of the Bonds, **as** follows (subject, however, to Section **2.01** hereof):

ARTICLE I

DEFINITIONS

Section **1.01**. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture, and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings

herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless otherwise defined herein, all words and phrases defined in the Agreement shall have the same meaning herein.

“Act” means the Zenovich-Moscone-Chacon Housing and Home Finance Act, constituting Division 31 of the Health and Safety Code of the State, and all laws supplementary thereto and amendatory thereof.

“Agency” means California Housing Finance Agency.

“Authorized Denominations” means \$100,000 or any integral multiple of **\$1,000** in excess thereof.

“Authorized Officer,” means the Chairperson; the Executive Director, a Deputy Director or the Director of Financing of the Agency, any person designated, in writing, by **the** Chairperson, the Executive Director, a Deputy Director or the Director of Financing as an Authorized Officer, or any other person authorized by resolution of the Agency to act **as** an Authorized Officer hereunder.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP, or another attorney(s) or firm(s) of attorneys selected by the Agency experienced in the field of tax-exempt housing revenue bonds, and whose legal opinions with respect to such bonds are acceptable in national bond markets.

“Bond Escrow Fund” means the Fund by that name established pursuant **to** Section **4.01**.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated **January** __, 2002, between the Agency and the Initial Owner, as purchaser of the Bonds, as the same may be supplemented or amended from time to time in accordance with its terms.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions located in the city in which an applicable corporate trust office of the Trustee is located, are required or are authorized by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the Agency mean, respectively, a written certificate, statement, request, requisition or order executed by an Authorized Officer of the Agency. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed **as** a single instrument. If and to the extent required by Section **1.03**, each such instrument shall include the statements provided for in Section 1.03.

“Code” means the Internal Revenue Code of 1986, as amended, and all regulations and rulings applicable thereto.

“Cost of Issuance Fund” means the Fund by that name established pursuant to Section **4.01**.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the authorization, issuance, sale, delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and charges of the Trustee (including reasonable fees of its legal counsel), legal fees and charges (including those of bond counsel, special counsel and underwriters’ counsel), fees and disbursements of consultants and professionals, including arbitrage rebate analysts, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds and any other cost, charge or fee in connection with the Bonds to be paid with moneys deposited in the Cost of Issuance Fund.

“Drawing” means each advance of Bond principal delivered pursuant to this Indenture and the Bond Purchase Agreement in exchange for the proceeds thereof.

“DTC” means The Depository Trust Company, New York, New York.

“DTC Participants” means a broker, dealer, bank, other financial institution or other Person for whom from time to time DTC effects book-entry transfers and pledges of securities deposited with DTC.

“Event of Default” or “Default” means any event of default specified in Section **6.01**.

“Fund” or “Account” means any of the funds or accounts established pursuant to this Indenture.

“Governmental Obligations”, means obligations (including obligations issued or held in book-entry form on the books of the United States Treasury Department or the Federal Reserve System) of the United States of America or obligations as to which the timely payment of the principal thereof and interest thereon is fully guaranteed by the United States of America.

“Indenture” means this Trust Indenture dated **as** of January **1,2002** by and between the Agency and the Trustee, **as** originally executed and as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Initial Owner” means Merrill Lynch Portfolio Management Inc., as initial beneficial owner of all of the Bonds.

“Interest Payment Date” means the first calendar day of each month, commencing March **1,2002**.

“Investment Agreement”, means the Investment Agreement dated January ____, **2002**, entered into between the Trustee and _____, and any other investment agreement substituted therefor with the approval of the Initial Owner.

“Investment Obligations* means any of the following which at the time of investment are legal investments under the laws of the State for moneys held hereunder: (i) Governmental Obligations or mutual funds rated “AAAm” or “AAAm-G” by S&P and fully secured by Government Obligations; (ii) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies: Federal Home **Loan** Mortgage Corporation (senior debentures only), GNMA, FNMA, Federal Home **Loan** Banks; (iii) master repurchase agreements with entities whose short term unsecured debt is rated “A-1 +” by S&P and which agreements are secured by Governmental Obligations which have a fair market value of 102% of the cash paid for such investment; (iv) the following investments, so long as such investments are fully insured by the Federal Deposit Insurance Corporation: certificates of deposit, savings accounts, deposit accounts or depository receipts having original maturities of not more than **365** days of federally or state chartered banks or trust companies (including the Trustee or affiliates thereof), savings and loan associations and mutual savings banks with capital surplus and undivided profits of not less than **\$125,000,000**, provided the unsecured obligations of any such institution are rated “A-1 +**” short term or better by S&P; (v) the Investment Agreement; (vi) units of a money market fund which at the time of investment is rated “AAA”/“A-1+” by S&P; and (vii) any other investment authorized by the Act and approved, in writing, by the Initial Owner.

“Letter of Representations,, means the Blanket Letter of Representations from the Agency to DTC with respect to the Bonds.

“Maturity Date” means _____, 200_ [date not more than **4** years after date of issuance].

“Maximum Rate” means fifteen percent (15%) per annum.

“Notice Address” means:

(A) As to the Agency:

California Housing Finance Agency
1121 L Street, 7th Floor
Sacramento, CA **95814**
Attention: Director of Financing

(B) As to the Trustee:

[NAME OF TRUSTEE]
550 South ~~Hope~~ Street, **5th** Floor
Los Angeles, CA 90071
Attention: Corporate Trust c/o Ashraf Almurdaah
Reference: California Housing Finance Agency
Telephone: (213) **533-8706**
Facsimile: (213) **533-8777**

(C) As to the Initial Owner:

Merrill Lynch Portfolio Management Inc.
 World Financial Center
 North Tower, 9th Floor
 New York, NY 10281
 Attention: Edward J. Sisk
 Telephone: (212) 449-9938
 Facsimile: (212) 449-7174

Merrill Lynch Portfolio Management Inc.
 350 S. Grand Avenue, Suite 2830
 Los Angeles, CA 90071
 Attention: _____
 Telephone: _____
 Facsimile: (213) 217-4530

“Outstanding”, when used **as** of any particular time with reference to Bonds, means (subject to the provisions of Section 10.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Agency shall have been discharged in accordance with Section 9.02, including Bonds (or portions of Bonds) referred to in Section 10.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture. Subject to the foregoing, each Bond shall be considered to be Outstanding in a principal amount equal to such amount as has been drawn down by the Agency with respect thereto **as** reflected by the Schedule of Drawings attached thereto or maintained by the Trustee, and not theretofore redeemed **as** reflected by the Schedule of Redemptions attached thereto or transferred as provided in Section 2.07.

“Owner”, “Holder”, “Bondowner” or “Bondholder” means the person in whose name a Bond is registered on the registration books maintained by the Trustee.

“Permitted Investments” means the following investment obligations, provided such obligations at the time of investment are legal obligations under the laws of the State:

- (A) Investment Obligations; or
- (B) with respect to the investment of any moneys deposited in the Cost of Issuance Fund or the Rebate Fund, any other investment permitted by law for the investment of the Agency’s funds.

“Person” means an individual, corporation, **firm**, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prior Bonds” means any single family mortgage revenue bonds previously issued by the Agency.

“Prior Trustee” means, collectively, the trustees with respect to Prior Bonds.

“Rate Period” means the period from and including each Interest Payment Date to but excluding the immediately succeeding Interest Payment Date; provided, however, that the initial Rate Period shall commence on February **1,2002**.

“Rate Setting Date” means the date upon which the Trustee shall establish the interest rate on the Bonds for the immediately succeeding Rate Period, which date shall be January **30,2002**, and thereafter the second Business Day immediately preceding each Interest Payment Date, commencing in February, 2002.

“Rebate Amount” means, with respect to the Bonds, the amount defined in Treasury Regulation Section **1.148-3** and the Tax Certificate.

“Rebate Fund” means the Fund by that name established pursuant to Section **4.01**.

“Record Dates” means the Business Day immediately preceding an Interest Payment Date, provided that with respect to overdue interest or interest due on any overdue amount or on other than a regular Interest Payment Date, the Trustee may establish a special record date of not more than **15** days before the date set for payment.

“S&P” means Standard & Poor’s, a division of the McGraw-Hill Companies, Inc., its successors and assigns.

“Schedule of Drawings,” with respect to any series of Bonds, means the schedule attached to such Bonds reflecting the date and amount of each Drawing made by the Agency under such Bonds.

“Schedule of Redemptions,” with respect to any series of Bonds, means the schedule attached to such Bonds reflecting the date and amount of each redemption made by the Agency under such Bonds.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized under and in compliance with the Act and this Indenture, and entered into between the Agency and the Trustee, which supplements, modifies or amends this Indenture.

“Tax Certificate” means the tax certificates of the Agency with respect to the Bonds, as the same may be supplemented or amended from time to time in accordance with their terms.

“Taxable Interest Rate” means a rate equal to the per annum rate for deposits in United States dollars for one month which appears on the Bloomberg LIBOR Page LIUS01M INDEX HP<GO> at **12:00** Noon Eastern Time on the Rate Setting Date.

“Tax-exempt Interest Rate” means a rate equal to the per annum rate for deposits in United States dollars for one month determined by reference to the PSA Municipal Swap Index published by Municipal Market Data (such index having been renamed the “BMA Municipal Bond Index**) provided that if Municipal Market Data no longer publishes such index or fails or is unable to make available such index for any Rate Setting Date, such rate shall be determined by reference to such other index **as** is mutually agreed upon by the Agency and the Initial Owner.

“Transferred Proceeds” means amounts received from the Prior Trustee which **are** deposited in the Bond Escrow Fund pursuant to Section **4.02** hereof.

“Trust Estate” means all rights set forth in the Granting Clauses hereof.

“Trustee” means [NAME OF TRUSTEE], having a corporate trust office in Los Angeles, California, or its successor, as Trustee hereunder **as** provided in Section **7.01**.

“Trustee Fees” means the initial acceptance fee (\$_____), the initial and future annual administrative fee (\$_____), and subsequent Draw Down Fee (\$_____ each).

Section **1.02**. Interpretations.

(A) (1) the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms refer to this Indenture, and the term “heretofore” means before, and the term “hereafter” means after, the date of this Indenture;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders, and words importing the singular number mean and include words importing the plural number, and vice versa;

(3) any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect;

(4) this Indenture shall be governed by and construed in accordance with the applicable laws of the State;

(5) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption include the payment of such Bond at its stated maturity; and words importing the paying or redemption of Bonds shall include words importing the paying **or** redemption of portions of Bonds;

(6) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon; and

(7) any moneys, documents, securities, obligations or other items received by the Trustee for the account of the Agency pursuant to the terms of this Indenture,

other than as compensation for services or reimbursement for expenses, shall be deemed to have been received by the Agency.

(B) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Trustee and the Owners of the Bonds **any** right, remedy or claim under or by reason of this Indenture, or **any** covenant, condition or stipulation hereof. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Agency and the Trustee, subject to Section **10.02**, shall be for the sole and exclusive benefit of the Agency, the Trustee, the Initial Owner and the Owners of the Bonds.

Section **1.03**. Content of Certificate and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation **as** is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement as to whether, in the opinion of such person, such provision has been complied with; and (5) a statement that such person is authorized to execute and deliver such opinion or certificate.

Any such certificate or opinion made or given by an officer of the Agency or the Trustee may be based, insofar as it relates to legal, accounting or program matters, **upon** a certificate or opinion of or representation by counsel, accountant or program consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, accountant or program consultant may be based insofar **as** it relates to factual matters (with respect to which information is in the possession of the Agency or the Trustee) upon a certificate or opinion of or representation by an officer of the Agency or the Trustee, unless such counsel, accountant or program consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representations may be based, **as** aforesaid, is erroneous. The same officer of the Agency or the Trustee, or the same counsel, accountant or program consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants or program consultants may certify to different matters, respectively.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds: Security. The Agency hereby authorizes the issuance of two series of bonds to be designated as "California Housing Finance Agency

Single Family Mortgage Revenue Bonds, Draw Down Series **2002**" and "California Housing Finance Agency Multifamily Mortgage Revenue Bonds, Draw Down Series **2002**". The Bonds and the form of authentication and assignment to appear thereon shall be substantially in the form of Exhibit A hereto. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The Bonds initially shall be issued **as** a single draw down Bond for each series. The Single Family Bonds shall have a maximum principal amount of \$_____ with a maximum amount Outstanding at any time of \$_____ and the Multifamily Bonds shall have a maximum principal amount of \$_____ with a maximum amount Outstanding at any time of \$_____; provided, however, that the principal amount due on any series of Bonds shall be only such amount as has been drawn down by the Agency **as** reflected by the Schedule of Drawings with respect to such Bonds and not theretofore redeemed **as** reflected by the Schedule of Redemptions with respect to such Bonds, which schedules **are** attached to the initial Bonds as Schedule A, as confirmed by the Trustee on the copy of such Schedule A maintained by the Trustee. Such maintenance of a Schedule A by the Trustee may be satisfied through maintenance by the Trustee of its record-keeping systems for the registered ownership of the Bonds. Interest on any series of Bonds shall accrue only on such principal amount **as** has been actually drawn by the Agency with respect to such Bonds, **as** reflected on the Schedule of Drawings with respect to such Bonds maintained by the Trustee, and not theretofore redeemed, as reflected by the Schedule of Redemptions with respect to such Bonds maintained by the Trustee. Interest on the Bonds shall be payable on each Interest Payment Date. The Bonds shall be payable from, and secured on a parity with each other without preference or priority of one Bond over another by, the Trust Estate as provided in this Indenture. The Bonds shall be issued initially in the form of a single certificate fully registered Bond numbered R-1 and may be in typewritten form. Upon the written request of the Initial Owner and upon the written approval of the Agency in its sole and absolute discretion, the initial Bonds may be made exchangeable for Bonds of the same series of other Authorized Denominations to permit transfer or exchange pursuant to Section **2.07** hereof.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND WILL BE PAYABLE SOLELY FROM, AND SECURED BY A PLEDGE OF, THE TRUST ESTATE. THE BONDS ARE NOT A LIEN OR CHARGE UPON THE FUNDS OR PROPERTY OF, OR A DEBT OR LIABILITY OF, THE AGENCY, EXCEPT TO THE EXTENT OF THE REVENUES AND OTHER ASSETS PLEDGED THEREFOR UNDER THIS INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF LOS ANGELES, THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF HAS BEEN PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS. THE AGENCY HAS NO TAXING POWER.

Section 2.02. Issuance of Bonds: Additional Drawings.

(a) The Bonds shall bear interest during the initial Rate Period at the rate per annum of _____% payable on March 1, **2002**. Subsequent to the initial Rate Period the Bonds shall bear interest during each succeeding Rate Period on the aggregate principal amount Outstanding or, in the case of the Multifamily Bonds, any portion thereof relating to a Drawing at the interest rate (rounded, if necessary, to the nearest one-hundredth of one percent) determined by the Trustee on the related Rate Setting Date (i) in the case of Single Family

Bonds, to be equal to the Tax-exempt Interest Rate plus ____%; provided, however, that such interest rate shall not be less than 83% of the Taxable Interest Rate and shall not exceed the lesser of (x) 90% of the Taxable Interest Rate and (y) the Maximum Rate; and (ii) in the case of Multifamily Bonds in accordance with the provisions of the Bond Purchase Agreement. Interest on the Bonds shall be payable on each Interest Payment Date. Interest on the Bonds for each Rate Period shall be calculated on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Trustee shall on each Rate Setting Date determine the Tax-exempt Interest Rate and the Taxable Interest Rate on the basis of the information available to it, and give notice of such rate in writing to the Initial Owner and the Agency.

(b) The Bonds shall be issued as fully registered bonds in Authorized Denominations and shall be dated as of the date of authentication and delivery of the initial Bond. Each Drawing shall bear interest from its date.

(c) The principal of and interest on the Bonds shall be payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest on the Bonds shall be transmitted by wire transfer in immediately available funds to the registered owners (as they appear on the registration books maintained by the Trustee as of the close of business on the applicable Record Date, pursuant to Section 2.07 hereof) to the bank account number on file with the Trustee **as** of the Record Date; provided, however, that interest on Bonds which are no longer registered as book-entry only pursuant to Section 2.09 hereof shall be payable by check mailed to the registered owner in the name and at the address appearing on the registration books of the Trustee on the Record Date or at such other address furnished in writing to the Trustee by the registered owner on or before the Record Date. Principal of the Bonds shall be payable upon presentation and surrender thereof at the payment office of the Trustee in St. Paul, Minnesota or any successor thereto; provided, however, that so long as the Bonds of each series are represented by a single bond **as** initially issued pursuant to Section 2.01 hereof the principal of the Bonds payable upon a partial redemption pursuant to Section 3.01 hereof shall be paid by the Trustee to the registered owner thereof without the necessity of any presentation and surrender and the Trustee shall enter the date and amount of such redemption on the Schedule of Redemptions with respect to such Bonds maintained by the Trustee.

(d) An initial Drawing under the Single Family Bonds in the amount of \$_____ shall be made on February 1, 2002. So long as there is not continuing an uncured Event of Default hereunder and provided that Drawings on the Single Family Bonds and the Multifamily Bonds may not be made on the same day, the Agency may make additional Drawings under the Multifamily Bonds on any Interest Payment Date and under the Single Family Bonds on any Interest Payment Date prior to January 1, 2003, in any case upon delivery of written notice to the Trustee and the Initial Owner and any transferee of the Initial Owner whose name and address has been supplied, in writing, to the Agency and the Trustee by the Initial Owner not less than two (2) Business Days prior to the date of such Drawing, which notice, substantially in the form attached hereto **as** Exhibit B, shall provide the following:

(i) the cumulative principal amount of all prior Drawings with respect to the related series of Bonds,

- such Series,
- (ii) the then aggregate principal amount Outstanding of all Bonds of
 - (iii) the principal amount of the requested Drawing,
 - (iv) the date of the requested Drawing, which date shall be not less than two (2) Business Days subsequent to the date of the notice,
 - (v) a statement to the effect that no Event of Default exists with respect to the Bonds,
 - (vi) a description of the Prior Bonds and the principal amounts thereof to be refunded with the proceeds of the Drawing or a statement that such Drawing is being made for the purpose of preserving allocations of volume cap allocated to the Agency by the State of California for the purpose of financing single-family or multifamily housing, as applicable, and
 - (vii) [such additional certifications and representations as may be required by Bond Counsel].

(e) Each Drawing shall be effective on the date designated by the Agency upon the Trustee's receipt of immediately available funds from the Initial Owner in the amount of such Drawing; provided, however, that:

(i) with respect to the Single Family Bonds, no additional Drawing shall be made for an amount that (A) together with the cumulative principal amount of all prior Drawings with respect thereto exceeds \$_____ or (B) would cause the aggregate principal amount of all Single Family Bonds Outstanding to exceed \$_____.

(ii) with respect to the Multifamily Bonds, no additional Drawing shall be made for an amount that (A) together with the cumulative principal amount of all prior Drawings with respect thereto exceeds \$_____ or (B) would cause the aggregate principal amount of all Multifamily Bonds Outstanding to exceed \$_____; and

(iii) no additional Drawing shall be made unless the Agency and the Trustee shall have received an opinion of Bond Counsel to the effect that such Drawing will not adversely affect the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

Section 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Agency with the manual or facsimile signature of its Executive Director and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of any Authorized Officer of the Agency, other than the officer executing the Bonds. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or sealed **any** of the Bonds shall cease to be such officer or officers of the Agency before the Bonds **so** signed or sealed shall have been authenticated or delivered by the Trustee or issued by the

Agency, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be **as** binding upon the Agency **as** though those who signed and sealed the same had continued to be such officers of the Agency. Any Bond may **also** be signed and sealed on behalf of the Agency by such persons as at the actual date of execution of such Bond shall be the proper officers of the Agency although at the nominal date of such Bond any such person shall not have been such officer of the Agency.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form hereafter recited, manually executed by the Trustee, shall be valid or obligatory for **any** purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall **be** conclusive evidence that the Bonds so authenticated have been duly executed, authenticated **and** delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.04. Delivery of Bonds. Upon the execution and delivery of this Indenture, the Agency shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Bonds and deliver them to the Initial Owner as purchaser thereof as directed by the Agency **as** hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Bonds there shall be filed or deposited with the Trustee at closing:

(a) A copy, duly certified by the Secretary, Assistant Secretary or other Authorized Officer of the Agency of the resolution of the Agency authorizing the issuance of the Bonds and the execution and delivery of this Indenture.

(b) Executed counterparts of the Bond Purchase Agreement.

(c) A request and authorization to the Trustee on behalf of the Agency and signed by an Authorized Officer of the Agency to authenticate and deliver the Bonds in accordance with the resolution authorizing such Bonds.

(d) An opinion of Bond Counsel stating that this Indenture and the Bond Purchase Agreement have been duly executed and delivered by the Agency and, assuming due authorization and execution by the other parties thereto, this Indenture and the Bond Purchase Agreement are valid and binding agreements, enforceable against the Agency in accordance with their terms (subject to any applicable bankruptcy, reorganization, insolvency, moratorium or similar law affecting the enforcement of creditors' rights generally).

(e) An opinion of Bond Counsel stating that assuming that Drawings **are** made in accordance with the Indenture, the Bond Purchase Agreement and the Tax Certificate, the Bonds are valid and binding obligations, enforceable against the Agency in accordance with their **terms** (subject to any applicable bankruptcy, reorganization, insolvency, moratorium or similar law affecting the enforcement of creditors' rights generally) and that interest on the Bonds is excluded from gross income for federal income tax purposes.

Upon receipt of these documents, the Trustee shall authenticate and deliver the Bonds to, or upon the order of, the Initial Owner as purchaser thereof.

Section 2.05. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds of like series when available for delivery. Any temporary bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Agency, shall be in registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Agency and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. Except for the initial Bonds, if the Agency issues temporary Bonds it will execute and furnish definitive Bonds of like series without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the principal corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal or maturity amount of definitive Bonds of like series of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

i . Bonds Mutilated, Lost, or Destroyed. If any Bond shall become mutilated, the Agency, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and series in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Agency. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and series in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. In the event any such Bond shall have matured, the Trustee instead of issuing a replacement Bond may pay the same upon receipt of indemnity satisfactory to the Trustee and the Agency.

Section 2.07. Registration and Exchange of Bonds: Persons Treated as Owners. The Agency shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee.

Upon surrender for transfer of any Bond at its payment office, the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond of like series for the aggregate principal amount which the registered owner is entitled to receive. It shall be a condition to any such transfer that the Trustee and the Agency be provided with the name and address of the transferee and a written statement of an authorized representative of the transferor that such transfer is made in conformity with the representations and agreements made by the Initial Owner pursuant to the first paragraph of Section 2 of the Bond Purchase Agreement, and that the Agency deliver, in its sole and absolute discretion, its written consent to the Trustee.

Notwithstanding the foregoing, it is hereby acknowledged that the Trustee shall have no obligation to prevent transfers of interests in the Bonds other than transfers which **are** required to be registered in the bond register maintained by the Trustee.

All Bonds presented for transfer or exchange (if so required by the Agency or the Trustee), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the registered owner or by such registered owner's duly authorized attorney. The Trustee shall require payment of a sum sufficient to cover any expenses incurred in making such transfer or exchange, any tax or other governmental charge that may be imposed in relation thereto but may not impose any other service charge or fee. The Agency and the Trustee shall not be required **(a)** to issue, transfer or exchange any Bonds during a period beginning on the date which is fifteen **(15)** days prior to the day on which the applicable notice of redemption is given and ending on the redemption date, or **(b)** to transfer or exchange any Bonds selected, called or being called for redemption or purchase in whole or in part. If the Trustee establishes a special record date, it shall provide notice by first class mail to registered owners of all Bonds Outstanding at least 10 days before such special record date or at such other time and manner **as** the Trustee may deem appropriate.

New Bonds delivered upon any transfer or exchange shall be valid limited obligations of the Agency, evidencing the same debt as the Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The person in whose name any Bond is registered shall be deemed the owner thereof by the Agency and the Trustee for all purposes under this Indenture, and any notice to the contrary shall not be binding upon the Agency or the Trustee. All payments of principal or interest on the Bonds shall be made only to or upon the order of the Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bonds to the extent of the sums so paid.

Section 2.08. Destruction of Bonds. Whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount thereof represented thereby or for replacement pursuant to Section 2.06 hereof or transfer or exchange pursuant to Section 2.07 hereof, such Bond shall be promptly canceled and periodically destroyed by the Trustee.

Section 2.09. Book-Entry Only System.

(A) The ownership of each Bond shall initially be registered in the name of Cede & Co., as nominee of DTC, in the form of a single typewritten certificate for each maturity.

(B) With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Agency and the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC,

Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Bond register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Bond register, of the principal and interest, and premium, if any, with respect to the Bonds.

Notwithstanding any other provision of this Indenture to the contrary, the Agency and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the Bond register as the absolute owner of such Bond for the purpose of payment of the principal and interest, and premium, if any, with respect to the Bonds, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal and interest, and premium, if any, with respect to the Bonds only to or upon the order of the respective Owners, as shown in the Bond register as provided in this Indenture, or their respective agents duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of the principal and interest, and premium, if any, with respect to the Bonds, to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond register, shall receive a Bond certificate evidencing the obligation of the Agency to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the phrase "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(C) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(D) The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Agency determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of the Bonds.

(E) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (D)(ii) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (C) or subsection (D)(i) hereof after which no substitute securities depository willing to undertake the functions of **DTC** hereunder **can** be found which, in the opinion of the Agency, is willing and able to undertake such functions upon reasonable and customary terms, the Agency is obligated to deliver Bond certificates at the expense of the beneficial owners of the Bonds, as described in this Indenture and the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

Section 2.10. Payments to Cede & Co. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee to DTC, all payments of the principal and interest, and premium, if any, with respect to

such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Letter of Representations.

Section 2.11. Validity of Bonds. The recital contained in the Bonds that they are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE III

REDEMPTION

Section 3.01. Optional Redemption. The Bonds are subject to optional redemption in whole or in part at the option of the Agency at any time, on or after the Interest Payment Date in [April, 2002], at a redemption price equal to **100%** of the principal amount thereof plus interest accrued to, but excluding, such date of redemption. Optional redemptions shall be in minimum aggregate principal amounts of \$100,000 and integral multiples of **\$1,000** in excess of \$100,000. No Drawing shall be optionally redeemed prior to the date 60 days after the date of such Drawing.

Section 3.02. Notice of Redemption. Notice of the call for any redemption, identifying the Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail (postage prepaid) not more than thirty (30) days and not less than fifteen (15) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. Failure to give such notice by mailing to any Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bonds. Any Bondholder owning at least \$1,000,000 in principal amount of the Bonds may request that a second copy of the notice of redemption be sent to a second address provided to the Trustee in writing prior to the Record Date for such redemption. The notice of redemption shall set forth the complete title of the issue (including series designation), CUSIP number (provided such notice may contain a disclaimer as to the accuracy of such numbers) the date of the issue, Bond numbers, maturity, the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds of any maturity then Outstanding shall be called for redemption, the distinctive numbers and letters of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, and the place or places of redemption, including the name, address and phone number of a contact person. If applicable, such notice shall provide that redemption of the Bonds is conditioned upon moneys being available for such purpose on the date of redemption.

A second notice of redemption shall be given on the sixtieth (60th) day after the redemption date in the manner required above to the registered owners of redeemed Bonds which have not been presented for payment by such sixtieth (60th) day after the redemption date.

Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given upon mailing, whether or not the owner of such Bonds receives the notice.

Section 3.03. Redemption Payments. Not later than the Business Day prior to the date fixed for redemption, funds shall be deposited with the Trustee to pay, and the Trustee is hereby authorized and directed to apply such funds to the payment of, the Bonds or portions thereof called, together with accrued interest thereon to, but excluding, the redemption or purchase date, and expenses in connection with such redemption or purchase. Upon the giving of notice and the deposit of funds for redemption, interest on the Bonds or portions thereof thus called shall no longer accrue after the date fixed for redemption. Unless the Bonds are registered as book-entry only pursuant to Section 2.09 hereof, no payment shall be made by the Trustee upon any Bond or portion thereof called for redemption until such Bond or portions thereof shall have been delivered for payment or cancellation or the Trustee shall have received the items required by Section 2.06 hereof with respect to any mutilated, lost, stolen or destroyed Bond; provided, so long as the Bonds are represented by a single bond as initially issued pursuant to Section 2.01 hereof, the principal of the Bonds payable upon a partial redemption pursuant to Section 3.01 hereof shall be paid by the Trustee to the registered owner thereof without the necessity of any presentation and surrender and the Trustee shall enter the date and amount of such redemption on the Schedule of Redemptions maintained by the Trustee.

Section 3.04. Cancellation. All Bonds which have been redeemed, paid or retired, or received by the Trustee for exchange, shall not be reissued but shall be canceled and destroyed by the Trustee in accordance with Section 2.08 hereof.

Section 3.05. Partial Redemption of Bonds. Upon surrender of any Bond for redemption in part only; the Trustee shall authenticate and deliver to the owner thereof a new Bond in aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Section 3.06. Effect of Redemption. Notice of redemption having been duly given as provided in this Article, and moneys being held by the Trustee for payment of the redemption price of, and interest accrued to the redemption date on, the Bonds so called for redemption on the redemption date designated in such notice, said Bonds shall become due and payable at the redemption price specified in such notice and interest on the Bonds so called for redemption shall cease to accrue. Said Bonds shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed by the Trustee.

ARTICLE IV

FLOW OF FUNDS

Section 4.01. Creation of Funds. There are hereby created by the Agency and ordered established the following special trust funds and accounts to be held by the Trustee: (1) the Bond Escrow Fund, and the Single Family Bond Escrow Account and Multifamily Bond Escrow Account therein; (2) the Cost of Issuance Fund; and (3) the Rebate Fund.

Section **4.02.** Bond Escrow Fund.

(a) The immediately available funds received by the Trustee in the amount of each Drawing under the Single Family Bonds shall be deposited by the Trustee on the date of such Drawing in the Single Family Bond Account in the Bond Escrow Fund. The immediately available funds received by the Trustee in the amount of each Drawing under the Multifamily Bonds shall be deposited by the Trustee on the date of such Drawing in separate subaccounts of the Multifamily Bond Account in the Bond Escrow Fund, which subaccounts are hereby created and ordered established and which shall be designated as the “Multifamily Bond _____ Drawing Subaccount” (inserting therein the month and year of such Drawing). On the date of each Drawing under the Single Family Bonds, the Trustee shall transfer all or any portion of the principal amount of such Drawing from the Single Family Bond Account at the written direction of the Agency to the appropriate Prior Trustees for the refunding of a like principal amount of the Prior Bonds against receipt by the Trustee of an equal amount of Transferred Proceeds from such Prior Trustee. The Trustee shall deposit all Transferred Proceeds received from the Prior Trustees in the Single Family Bond Account. Notwithstanding the foregoing, upon the order of the Agency proceeds of the Bonds may be deposited into the Bond Escrow Fund and remain therein without transfer or exchange.

(b) All proceeds of the Bonds and Transferred Proceeds shall be held in the Bond Escrow Fund and invested as provided in Section **4.05** hereof. Amounts on deposit in the Bond Escrow Fund will be held exclusively for the Bondholders and paid over in accordance with the provisions of this Indenture. All investment earnings (net of losses) on amounts credited to the Bond Escrow Fund on each Interest Payment Date shall be used immediately upon receipt (i) first, to pay interest on the Bonds on such Interest Payment Date and (ii) second, to make a deposit to the Rebate Fund of all such earnings remaining after payment of interest on the Bonds on such Interest Payment Date.

(c) In the event Bonds are redeemed with proceeds of refunding obligations of the Agency, on the date of issuance of such refunding bonds, the amounts on deposit in the accounts in the Bond Escrow Fund allocable to the Bonds being redeemed shall be transferred to the trustee for the refunding obligations upon receipt from such trustee of an amount sufficient to pay the principal amount of the Bonds being redeemed on the redemption date.

(d) In the event that the Bonds are not redeemed in their entirety prior to maturity, the amounts on deposit in the Bond Escrow Fund shall be applied by the Trustee to the retirement of the Bonds in full on the Maturity Date. All investment earnings (net of losses) on amounts credited to the Bond Escrow Fund on the Maturity Date of the Bonds shall be used immediately upon receipt (i) first, to pay interest on the Bonds on the Maturity Date and (ii) second, to make a deposit to the Rebate Fund of all such earnings remaining after payment of interest on the Bonds on the Maturity Date.

Section **4.03.** Cost of Issuance Fund. Moneys deposited by the Agency, from time to time, in the Cost of Issuance Fund shall be used to pay the costs of issuing the Bonds including all fees and expenses of Bond Counsel, Agency’s counsel, financial advisors and other consultants, the Trustee Fees and expenses and the expenses and fees associated with each Drawing.

Any funds remaining in the Cost of Issuance Fund, including interest earnings thereon, as of the earlier of the Maturity Date or the date of redemption of all of the Bonds shall be transferred to the Agency.

Section 4.04. Rebate Fund. The Trustee shall make transfers to and withdrawals from the Rebate Fund as provided in Section **4.05** hereof and pursuant to written instructions delivered by the Agency in accordance with the Tax Certificate. Transfers shall be made from such Funds as the Agency shall designate in its written instructions. Investment earnings on moneys in the Rebate Fund shall be deposited into such Fund. Losses on the investment of moneys in the Rebate Fund shall be debited to such Fund. Moneys in the Rebate Fund shall be paid to the United States of America (and to the extent permitted by the Code, used to pay rebate calculation expenses) **as** directed by the Agency, pursuant to the Tax Certificate, in compliance with the timetable set forth in Section **148(f)(3)** of the Code and the Tax Certificate. The Agency shall pay, out of its own funds, any costs of the annual calculation of amounts to be paid to the United States of America. The Trustee shall be deemed conclusively to have complied with this section if it follows the written instructions of the Agency, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Agency with the covenants of this Section **4.04** or the Tax Certificate.

Section 4.05. Investment of Moneys in Funds. Amounts on deposit in the Bond Escrow Fund shall be invested by the Trustee to the full extent permitted and provided by the terms of the Investment Agreement. In the event that it becomes necessary for the Trustee, at the written direction or with the written approval of the Agency and the Initial Owner, to invest such amounts in another investment, such amounts, to the maximum extent possible, shall be invested in Governmental Obligations or other Investment Obligations maturing (or redeemable by the Trustee at a price no less than their purchase price plus accrued interest) on the immediately succeeding Interest Payment Date. When purchasing Governmental Obligations constituting book-entry obligations issued by the United States of America, the Trustee, shall: **(1)** effect such transaction in accordance with applicable federal regulations and the UCC, directly with the Federal Reserve Bank ("FRB") or through a depository institution which is a "Participant" **as** defined in **31 C.F.R. Section 357.2**; **(2)** if effected directly with the FRB, cause such obligations to be credited to the Trustee's Securities Account at the FRB; **(3)** if effected through such a depository institution, cause such depository institution (A) to have credited to such institution's Securities Account at the FRB such book-entry obligations, (B) to confirm to the Trustee the crediting thereof and (C) by book-entry to credit such book-entry obligations to the Trustee's Securities Account at such depository institution; and **(4)** by book-entry identify such obligations as being pledged and delivered to the Trustee in accordance with this Indenture.

The Agency may at any time give to the Trustee written directions respecting the investment of any moneys in the Cost of Issuance Fund or the Rebate Fund or otherwise required to be invested by the Trustee hereunder, subject, however, to the provisions of this Article, and the Trustee shall then invest such moneys in Permitted Investments **as so** directed by the Agency; provided, that absent such written directions the Trustee shall invest such moneys in the First American Treasury Fund Class D or any successor **to** such fund which is described in clause (vi) of the definition of Investment Obligations. The Trustee shall not be responsible for determining if any such directed investments are legal investments under the laws of the State, **nor** shall the Trustee be responsible or liable for any loss suffered in connection with any investment of funds

made by it in accordance with this Indenture, nor shall it be responsible for paying interest on any funds held by it hereunder for which it has received no investment instructions.

Subject to requirements of the Rebate Fund set forth in Section 4.04 of this Indenture, all such investments shall at all times be attributable to the fund from whence the money used to acquire such investments shall have come, and all income and profits on such investments shall be first used to offset any investment losses (including losses resulting from the sale of investments) in such fund. The Trustee shall sell at the best price reasonably obtainable under the circumstances and reduce to cash a sufficient amount of such investments in the respective fund whenever the cash balance therein is insufficient to pay the amounts then required to be paid therefrom. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

In computing the amount in any fund created under the provisions of this Indenture for any purpose provided herein, obligations purchased as an investment of moneys therein shall initially be valued at the market value thereof with any premium or discount amortized over the period of time remaining until the maturity of such obligations, exclusive of accrued interest other than accrued interest paid in connection with the purchase of any such obligations and not yet recovered. All subsequent valuations shall be performed on the same basis as the initial valuation. Any profit realized from the liquidation of such investments shall be credited to such fund and any loss resulting from the liquidation of such investments shall be charged to the respective fund.

Investments may be purchased by the Trustee through its own investment division or affiliate and Investment Obligations described in clause (vi) of the definition thereof may include funds to which the Trustee or any of its affiliates provides services as an investment advisor or custodian.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

ARTICLE V

PARTICULAR COVENANTS

Section 5.01. Punctual Payment. The Agency shall punctually pay, or cause to be paid, the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to their maturity, the amount to be paid shall be the redemption price of such Bonds and all unpaid interest thereon to the redemption date, in strict conformity with the terms of such Bonds and of this Indenture, according to the true intent and meaning thereof but only out of the Trust Estate as provided in this Indenture.

Section 5.02. Extension of Payment of Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 5.03. No Other Encumbrances. The Agency shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Trust Estate while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture.

Section 5.04. Power to Issue Bonds and Make Pledge and Assignment. The Agency is duly authorized pursuant to the Constitution and laws of the State, including the **Act**, to issue the Bonds and to enter into this Indenture and to pledge and assign the Trust Estate, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be legal, valid and binding limited obligations of the Agency in accordance with their terms, and the Agency and Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Trust Estate and all the rights of the Owners under this Indenture against all claims and demands of all Persons whatsoever.

Section 5.05. Payment of Taxes and Claims. The Agency or the Trustee (upon the written direction of the Agency) shall, from time to time but solely from funds available therefor under this Indenture, if any, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the Trust Estate when the same shall become due, **as** well as any lawful claim which, if unpaid, might by law become a lien or charge upon the Trust Estate or which might impair the security of such Bond.

Section 5.06. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds and all Funds established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Agency and by the Owners of at least 10% of the aggregate principal amount of all Bonds then Outstanding, or by the agents or representatives thereof duly authorized in writing, at reasonable hours and under reasonable circumstances.

Section 5.07. Maintenance of Powers. **So** long as any Bonds remain Outstanding, the Agency shall preserve its existence **as** a public entity and agency, and will not be dissolved or lose its right to exist as such or lose any rights necessary to enable it to function. The Agency shall at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or

permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained.

Section **5.08. Tax Covenants.** The Agency shall not use or permit the use of any proceeds of Bonds or any other funds of the Agency, directly or indirectly, to acquire **any** securities or obligations, in any manner, and shall not take or permit to be taken or fail to take any other action or actions, which would cause the interest on any Bond to be included in federal gross income under Section 103 of the Code. The Agency will to that end comply with the **Tax** Certificate.

Section **5.09. Compliance with Indenture. Contracts. Laws and Regulations.** The Agency shall faithfully observe and perform all the covenants, conditions and requirements of this Indenture as required of the Agency, and the Agency shall not issue any Bonds in **any** manner other than in accordance with this Indenture, and shall not suffer or permit any default to occur hereunder or do or permit to be done anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Indenture, the Agency shall comply with the terms, covenants and provisions, express or implied, of all contracts concerning or affecting the application of proceeds of the Bonds or the Trust Estate. The Agency shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted, prescribed, imposed or entered by any competent governmental authority or agency applicable to or affecting the Bonds or the Trust Estate. The Trustee shall, **as** provided herein, observe and perform all of the express provisions of this Indenture required of the Trustee.

Section **5.10. Waiver of Laws.** The Agency shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension provision of law now or at any time hereafter in force that may adversely affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Agency to the extent permitted by law.

Section **5.11. Further Assurances.** The Agency will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES OF **OWNERS**

Section 6.01. **Events of Default.** The following events shall be considered Events of Default with respect to the Bonds:

(A) default in the due and punctual payment of the principal amount or redemption price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption, by declaration or otherwise;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; or

(C) default by the Agency in observance of any of the covenants, agreements or conditions on its part contained in this Indenture or in the Bonds (other than in clauses (A) or (B) above), if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Agency by the Trustee, or to the Agency and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding.

Section 6.02. Acceleration of Maturity. If an Event of Default under Section 6.01(A) or (B) shall occur with respect to the Bonds, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, or if an Event of Default under Section 6.01(C) shall occur with respect to the Bonds, the Trustee shall, upon the written direction of the Owners of not less than 100% in aggregate principal amount of the Bonds, upon notice in writing to the Agency, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit, or cause to be deposited, with the Trustee a sum sufficient to pay the principal amount or redemption price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal amount or redemption price of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all the Bonds rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 6.03. Application of Revenues and Other Funds After Default. If an Event of Default described in Section 6.01(A) or (B) with respect to the Bonds shall occur and be continuing, all amounts then held or thereafter received by the Trustee under any of the provisions of this Indenture (exclusive of any Rebate Amount and subject to Section 10.10) shall

be applied by the Trustee, at the direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as follows and in the following order of priority:

(A) Notwithstanding any other provision of the Indenture limiting the Trustee's fees, to the payment of any expenses necessary in the sole subjective opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel and of the Agency), incurred in and about the performance of its powers and duties under this Indenture;

(B) To the payment of the principal amount or redemption price of and interest then due on the Bonds (upon presentation and surrender of the Bonds to be paid) subject to the provisions of this Indenture (including Section 6.02), unless the principal amount and redemption price of all the Bonds shall have become or have been declared due and payable, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal amount or redemption price of the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the principal amount or redemption price due on such date to the Persons entitled thereto, without any discrimination or preference.

(C) If the principal amount or redemption price of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest to the Persons entitled thereto without any discrimination or preference.

The payment of amounts required to be made to the United States in accordance with Sections 4.04 and 5.08 shall continue even if an Event of Default shall have occurred and be continuing.

Section 6.04. Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of

the Bonds, this Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of any Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than **25%** in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate suit, action, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right to the appointment of a receiver of the Revenues and other assets pledged to receive the Bonds under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of such Bonds or the production thereof in any proceedings relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of Bonds subject to the provisions of this Indenture.

Section 6.05. Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder with respect to the Bonds, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of counsel rendered to the Trustee would be unjustly prejudicial to Owners of Bonds not parties to such direction.

Section 6.06. Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect to such Bond, unless (A) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (B) the Owners of not less than **25%** in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (C) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce

any right under this Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 6.07. Absolute Obligation of Agency. Nothing in this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay interest on and the principal amount or redemption price of the Bonds to the respective Owners of the Bonds when due on each Interest Payment Date and at their dates of maturity, or upon call for redemption, as herein provided, but only out of the Trust Estate, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds, including the right to enforce such payment by suit or other proceeding.

Section 6.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners of Bonds on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Owners, then in every such case the Agency, the Trustee and such Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Agency, the Trustee and such Owners shall continue as though no such proceedings had been taken.

Section 6.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 6.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default with respect to such Bonds shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VII

THE TRUSTEE

Section 7.01. Duties, Immunities and Liabilities of Trustee.

(A) The Trustee shall, prior to an Event of Default with respect to the Bonds, and after the curing or waiver of any such Event of Default which may have occurred, perform such duties and only such duties as are specifically and expressly set forth in this Indenture, and no implied covenants, duties or obligations whatsoever shall be read into this Indenture or any other agreement relating hereto against the Trustee. The Trustee shall, during the existence of

any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a corporate trustee would exercise or use under similar circumstances.

The Agency agrees, to the extent permitted by law and solely to the extent of amounts available to the Agency under the Indenture, to indemnify and save the Trustee and its officers, directors, employees, attorneys and agents for, and to hold it harmless from and against, any losses, liabilities or expenses incurred arising out of or in connection with (i) the acceptance or administration of the trusts imposed by this Indenture, including performance of its duties hereunder, including the costs and expenses of defending itself against any claims or liability in connection with the exercise or performance of any of its powers or duties hereunder and the carrying out of any of the transactions contemplated by this Indenture; (ii) any breach or default on the part of the Agency in the performance of any of its obligations under this Indenture and any other agreement made and entered into in connection with this Indenture; (iii) any act of negligence of the Agency or any of its agents, contractors, servants, employees or licensees with respect to the transactions contemplated by this Indenture; (iv) the exercise and performance by the Trustee of their powers and duties hereunder or any related documents; (v) any untrue statement of any material fact or omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document or any other document utilized by the Agency or under its Agency in connection with the sale of the Bonds; or (vi) any liability imposed against Trustee by any statute, code, order, decree, rule, decision or other law with respect to the natural environment arising out of the transactions contemplated by this Indenture. The Agency's obligations hereunder with respect to indemnity of the Trustee and the provision for its compensation set forth in this Article shall survive and remain valid and binding notwithstanding the maturity and payment of the Bonds or the resignation, or removal of the Trustee.

(B) The Agency may remove the Trustee at any time upon thirty (30) days' written notice unless an Event of Default shall have occurred and then be continuing. The Agency shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation: in each case by giving written notice of such removal to the Trustee and the Agency shall appoint a successor Trustee by an instrument in writing.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Agency sent by first-class mail, but such resignation shall not be effective until the successor Trustee shall have been appointed and has accepted such appointment as herein provided. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Promptly upon such acceptance, the Agency shall give written notice thereof to the Owners. If no successor Trustee shall have been appointed and have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after **such** notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do **such** other things **as** may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver **any** and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, national banking association or bank having the powers of a trust company and having either trust assets of at least \$500,000,000 or a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the successor Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), such Trustee shall resign immediately in the manner and with the effect specified in this Section.

(F) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all its corporate trust business, provided such company shall be eligible under subsection (E) of this Section, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

(G) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder or

in the exercise of any of its rights or powers unless the Owners have offered to the Trustee security and indemnity, which the Trustee in its sole subjective discretion deems adequate, for such costs, expenses and liabilities that the Trustee may incur. The Trustee shall be entitled to interest on all amounts advanced by it hereunder in its discretion at the rate of prime plus one percent.

(H) The Trustee shall not be required to take notice or be deemed to have taken notice hereunder of any event which would constitute an Event of Default or an Event of Default hereunder or under the Bond Purchase Agreement, except as required under Sections 6.01(A) and (B) hereof or by actual notice of such event or Event of Default unless the Trustee shall be specifically notified in writing by the Agency or by the Owners of not less than **25%** of the principal amount of the Bonds.

Section **7.02. Compensation.** The Agency shall cause the Trustee to **be** paid reasonable compensation for all services rendered under this Indenture together with all reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of its attorneys, agents and employees, incurred in **good** faith in and about the performance of its powers and duties under this Indenture, which fees and expenses shall not exceed, except as provided in Section 6.03(A) hereof, the amount provided for **as** Costs of Issuance..

Section 7.03. Liability of Trustee. In accepting the trust hereby created, the Trustee acts solely as trustee for the Owners and not in its individual capacity and the recitals of facts herein and in the Bonds contained shall be taken as statements of the Agency, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations **as** to the validity or sufficiency of this Indenture, any other agreement relating hereto or the Bonds or in respect of the security afforded by this Indenture for the Bonds, and shall incur no responsibility or liability whatsoever in respect thereof or with respect to the issuance of Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Agency, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee may become the owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and **permit** any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners or Holders, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the bonds.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

Section 7.04. Right of Trustee to Rely on Documents. The Trustee shall be absolutely protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with its counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, and such Certificate shall be full warranty to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as the Trustee deems reasonable, but no duty of the Trustee shall arise hereunder as a result of such inquiry.

Section 7.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture with respect to the Bonds shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Agency and the Owners of at least 10% of the aggregate principal amount of the Bonds then Outstanding or by agents or representations thereof duly authorized, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

The Trustee shall not be under any obligation or duty to perform any act which would in its sole subjective opinion involve it in any expense or liability or to institute or defend any suit in respect of the Bonds, or to advance any of its own moneys, unless indemnified to its sole subjective satisfaction against the costs, expenses and liabilities which may be incurred thereby. The Trustee shall not be personally liable with respect to (i) an error of judgment made in good faith by a responsible officer of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, or (ii) any action taken, suffered or omitted to be taken by it in good faith, in accordance with the directions of Owners of not less than 25% in principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture. The immunities, exemptions and

indemnifications from liability of the Trustee under this Indenture shall extend to its directors, officers, employees and agents. Whenever this Indenture provides that the Trustee shall take **any** action, including the giving of any notice, or refrain from taking any action upon the happening or continuation of a specified event or upon the fulfillment of any condition or upon the request of the Owners, the Trustee shall have no liability for failure to take such action or for failure to refrain from taking such action, unless and until the responsible officer of the Trustee at the Trustee's designated corporate trust office has actual knowledge of such event or continuation thereof or the fulfillment of such condition or shall have received such request. Responsible officer means, in the case of the Trustee, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the Chair of the Board, the Secretary, the Treasurer, any Trust Officer, any Executive or Senior Vice Chair of the Board or any Vice Chair of the Board or other officer in the Corporate Trust Department of the Trustee.

Except as otherwise expressly provided herein, the Trustee shall not **be** bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to any mortgage or this Indenture or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

Section 7.06. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise provided in this Indenture.

ARTICLE VIII

MODIFICATION OR AMENDMENT **OF** THE INDENTURE

Section 8.01. Amendments Permitted.

(A) This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds and of the Trustee may be modified or amended at any time by a Supplemental Indenture which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. **No** such modification or amendment shall (I) extend the stated maturity of any Bond, or reduce the amount or principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereof without the consent of the Owner of such Bond, or (II) without the consent of the Owners of all the Bonds then Outstanding (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (2) permit the creation of any lien on the Trust Estate prior to the lien created by this Indenture, or deprive the Owners of the Bonds of the lien created by this Indenture upon the Trust Estate (except as expressly provided in this Indenture). It shall not **be**

necessary for the consent of the Owners of the Bonds to approve the particular form of any Supplemental Indenture; it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Agency and the Trustee of any Supplemental Indenture pursuant to this Subsection (A), the Trustee shall mail a notice to each Owner setting forth in general terms the substance of such Supplemental Indenture. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of such Supplemental Indenture.

(B) This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, which shall become effective upon execution (or such later date as may be specified in such Supplemental Indenture) by the Agency and the Trustee, without the consent of any **Owners** of the Bonds, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Agency in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Agency;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to any matter or question arising under or in any matters relating to this Indenture, as the Agency may deem necessary or desirable, and which shall not materially adversely affect the interests of the Owners;

(3) to modify, amend or supplement this Indenture in such manner **as** to permit the qualification hereof under the Trust Indenture Act of **1939, as** amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(4) to modify, amend or supplement this Indenture in such manner **as** in the opinion of Bond Counsel shall be necessary to preserve the exclusion of interest on any Bond from federal gross income and which shall not materially adversely affect the interests of the Owner of any Bond; or

(5) to maintain a rating on the Bonds from a Rating Agency or obtain an investment rating on the Bonds from a national rating agency.

(C) In connection with the execution and delivery of a Supplemental Indenture, the Trustee shall receive an opinion of Bond Counsel to the effect that the Supplemental Indenture is authorized under the Act and by proper action of the Agency and that execution and delivery of the Supplemental Indenture will not adversely affect the exclusion **of** interest on any Bond from gross income for federal income tax purposes.

(D) Notwithstanding anything in this Section 8.01 to the contrary, the Agency and the Trustee shall not enter into any indenture or indentures supplemental to this Indenture without the prior written consent of the Initial Owner.

Section 8.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Agency, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 8.03. Endorsement of Bonds: Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Agency and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the designated corporate trust office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Agency or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Agency and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Agency and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the designated corporate trust office of the Trustee, without cost to any Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts of the same maturity.

Section 8.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Indenture. If the Agency shall pay and discharge the entire indebtedness on all Outstanding Bonds in any one or more of the following ways:

(A) by paying or causing to be paid the principal amount or redemption price of and interest on the Bonds Outstanding, as and when the same become due and payable;

(B) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.03) to pay or redeem all Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, all of the Outstanding Bonds;

and if the Agency shall also pay or cause to, be paid all other sums payable hereunder by the Agency (including Trustee fees) with respect to the Bonds, then and in that case, at the election of the Agency (evidenced by a Certificate of the Agency, filed with the Trustee, signifying the intention of the Agency to discharge all such indebtedness), and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Agency under this Indenture with respect to the Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of the Agency, the Trustee shall (i) cause an accounting for such period or periods with respect to the Bonds as shall be requested by the Agency to be prepared and filed with the Agency, and (ii) execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction of the Bonds. The discharge of the obligations of the Agency under this Indenture with respect to the Bonds shall be without prejudice to the rights of the Trustee to charge for and be reimbursed by the Agency for any expenditures which it may thereafter incur in connection with such discharge.

Section 9.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Agency in respect of such Bond shall cease, terminate and be completely discharged, and the Owner thereof shall thereafter be entitled only to payment from such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 9.04.

The Agency may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered which the Agency may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 9.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the Funds established pursuant to this Indenture (exclusive of the Rebate Fund and the Cost of Issuance Fund) and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Governmental Obligations which are not redeemable in advance of their maturity at the option of the issuer thereof or any other Person (other than the holder thereof) the principal of and interest on which when due will provide money sufficient to pay the principal amount or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal amount or redemption price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided further that, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by request of the Agency) to apply such money to the payment of such principal amount or redemption price and interest with respect to such Bonds; provided further that in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by request of the Agency) to apply such money to the payment of such principal amount or redemption price and interest with respect to such Bonds; provided further that any such advance deposit shall be accompanied by a report of certified public accountant verifying the mathematical computations of the adequacy of the maturing principal and interest on the escrowed securities and uninvested cash in the escrow account to pay, when due, the principal and interest on the Bonds.

Section 9.04. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal amount or redemption price of, or interest on, any Bonds and remaining unclaimed for two years after such payment has become due and payable shall, upon request of the Agency and subject to the unclaimed property laws of the State, be repaid to the Agency free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability of Agency Limited to Trust Estate. Notwithstanding anything in this Indenture or in the Bonds to the contrary, the Agency shall not be required to advance any moneys derived from any source other than the Trust Estate for any of the purposes in this Indenture mentioned, whether for the payment of the principal amount or redemption price of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Agency may, but shall not be required to, advance for any of the purposes hereof any funds of the Agency which may be made available to it for such purposes.

Section 10.02. Successor is Deemed ~~1~~ 1 in All References to Predecessor. Whenever in this Indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.03. Limitation of Rights to Parties and Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Agency, the Trustee, the Initial Owner and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Agency, the Trustee, the Initial Owner and the Owners of the Bonds.

Section 10.04. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 10.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Agency of any Bonds, the Trustee may, in lieu of such cancellation and delivery, cancel such Bonds and dispose of such cancelled Bonds in a manner deemed appropriate by the Trustee.

Section 10.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Agency hereby declares that it would have entered into this Indenture and each and every section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereon irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 10.07. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid, or sent by facsimile with automatic answer-back capability, addressed to the appropriate Notice Address. The Agency and the Trustee may, by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.08. Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Owners of the Bonds may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners of the Bonds in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Agency if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and of every Bond issued upon transfer thereof, in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Agency in accordance therewith or reliance thereon.

Section 10.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Agency or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds ~~so~~ owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if, the pledge shall establish ~~to~~ the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct ~~or~~ indirect common control with, the Agency or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 10.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal amount or redemption price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto without liability for interest, subject, however, to the provisions of Section 9.04.

Section 10.11. Funds and Accounts. Any Fund or Account required by this Indenture to be established and maintained by the Trustee with respect to the Bonds may be established and maintained in the accounting records of the Trustee ~~as~~ a Fund or Account and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated as such a Fund or Account; but all such records with respect to all such Funds and Accounts shall at all times ~~be~~ maintained in accordance with generally accepted corporate trust practice, and with due regard for the requirements of Section 5.06 and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 10.12. Waiver of Personal Liability. ~~No~~ officer, agent or employee of the Agency or the Trustee shall be individually or personally liable for the payment of the principal amount or redemption price of or interest on the specific Bonds or for the performance of any obligation of the Agency or the Trustee or the satisfaction of any conditions hereunder; but

nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section **10.13. Execution in Several Counterparts.** The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes **be** deemed to be an original, and all such counterparts, or as many of them **as** the Agency and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section **10.14. Payments Other Than on a Business Day.** Any payments required to be made or any other action required to be taken pursuant to this Indenture which are otherwise required to be taken on a day which is not a Business Day, shall be made or taken **on** the next succeeding day which is **a** Business Day.

IN WITNESS WHEREOF, California Housing Finance Agency has caused this Indenture to be signed in its name by the undersigned officer and the Trustee in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its **corporate** name by its duly authorized officer, as of the day and year first above written.

CALIFORNIA HOUSING FINANCE AGENCY

By: _____
Director of Financing

[NAME OF TRUSTEE], as Trustee

By: _____
Authorized Officer

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EXHIBIT A

[FORM OF BOND]

NUMBER: R-

\$ _____

CALIFORNIA HOUSING FINANCE AGENCY
 [SINGLE FAMILY][MULTIFAMILY] MORTGAGE REVENUE BOND,
 DRAW DOWN SERIES 2002

DATED DATE:

MATURITY DATE:

CUSP:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

California Housing Finance Agency (the "Agency"), a public instrumentality and political subdivision of the State of California (the "State"), created by the Zenovich-Moscone-Chacon Housing and Home Finance Act (constituting Division 31 of the Health and Safety Code of the State of California), as amended (as more particularly described in the hereinafter mentioned Indenture, the "Act"), for value received, promises to pay (but only out of the revenues and other assets pledged therefor) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above (subject to any right of prior redemption as set forth in the Trust Indenture, dated as of January 1, 2002 (the "Indenture"), by and between the Agency and [NAME OF TRUSTEE], as trustee (the "Trustee")), such portion of the Principal Amount specified above as shall have been advanced to the Agency as reflected by the Schedule of Draws noted on Schedule A hereto (and as confirmed by the Trustee on the Schedule of Draws maintained by the Trustee) and to pay solely from said revenues and assets, interest on said portion from the date hereof at the Initial Interest Rate per annum specified in the Indenture, from the date of registration and authentication of this Bond, unless this Bond is registered and authenticated as of an Interest Payment Date, in which case it shall bear interest from said Interest Payment Date; or unless this Bond is registered and authenticated before March 1, 2002, in which event this Bond shall bear interest from the date of the initial advance hereunder; or unless this Bond is registered and authenticated on a date which is after the applicable Record Date and before the next ensuing Interest Payment Date (as hereinafter defined), in which case it shall bear interest from such next ensuing Interest Payment Date; or unless, as shown by the records of the Trustee, interest on this Bond shall be in default, in which event this Bond shall bear interest from the date to which interest was last paid on this Bond, until the Agency's obligations with respect to payment of such Principal Amount shall be discharged, at the Interest Rate per annum for the Bonds calculated as described in the Indenture, payable on the first calendar day of each month commencing March 1, 2002 (each an "Interest Payment Date"), until such Principal Amount is duly paid, unless this Bond shall have been previously called for redemption and payment therefor shall have been duly made or provided.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND ARE PAYABLE SOLELY FROM, AND SECURED BY A PLEDGE OF, THE TRUST ESTATE. THE BONDS ARE NOT A LEN OR CHARGE UPON THE FUNDS OR PROPERTY OF, OR A DEBT OR LIABILITY OF, THE AGENCY, EXCEPT TO THE EXTENT OF THE TRUST ESTATE AND OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF LOS ANGELES, THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF HAS BEEN PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS. THE AGENCY HAS NO TAXING POWER.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Agency or the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein. TRANSFER OF THIS BOND IS SUBJECT TO FURTHER RESTRICTIONS PURSUANT TO SECTION 2.07 OF THE INDENTURE.

This Bond shall bear interest from the date of the initial advance hereunder to but excluding March 1, 2002, at the rate per annum set forth in the Indenture. Subsequent to the initial Rate Period and prior to the Maturity Date set forth on the face hereof, this Bond shall bear interest during each succeeding Rate Period on [any portion of] the aggregate principal amount Outstanding [relating to a Drawing] at the rate determined by the Trustee on the related Rate Setting Date [to be equal to the Tax-exempt Interest Rate plus ____%; provided, however, that such interest rate shall not be less than 83% of the Taxable Interest Rate and shall not exceed the lesser of (i) 90% of the Taxable Interest Rate and (ii) the Maximum Rate (as defined in the Indenture)] [in accordance with the provisions of the Bond Purchase Agreement]. Interest shall accrue only on such principal amount as has been actually drawn by the Agency, **as** reflected on the Schedule of Drawings maintained by the Trustee, and not theretofore redeemed, **as** reflected by the Schedule of Redemptions maintained by the Trustee. Interest on the Bonds for each Rate Period shall be calculated on the basis of a 365- or 366-day year, **as** applicable, for the number of days actually elapsed.

Principal hereof is payable to the Owner hereof or its transferees on presentation at the designated corporate trust office of the Trustee. Interest hereon is payable by wire transfer in immediately available funds to the person in whose name the Bonds are registered on the registration books of the Trustee on the Record Date with respect to each Interest Payment Date **to** the bank account number on file with the Trustee as of the Record Date. The principal of and interest on the Bonds are payable in lawful money of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of Bonds issued under, secured by and entitled to the protection of the Indenture. Reference is hereby made to the Indenture for a

description of the rights, duties and obligations of the Agency, the Trustee and the owners of the Bonds and the terms and conditions upon which the Bonds will be deemed to be paid, at or prior to the Maturity Date or redemption of the Bonds, upon the making of provision for the payment thereof in the manner set forth in the Indenture.

The Bonds are subject to optional redemption in whole or in part at the option of the Agency at any time but subject to the limitations specified in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued to, but excluding, such date of redemption.

If any or all of the Bonds are called for redemption, notice of such redemption shall be mailed, by first-class mail, postage prepaid, not less than seven (7) days nor more than thirty (30) days before the redemption date to the registered owners of any Bonds or portions thereof to be redeemed, but failure to **so** mail any such notice with respect to any Bond or any defect therein shall not affect the validity of the proceedings for the redemption of any other Bonds. Notice of redemption having been given **as** aforesaid, the Bonds or portions thereof **so** called for redemption shall become due and payable at the applicable redemption price herein provided, to the extent that moneys are deposited for that purpose on or prior to the redemption date and, from and after the date **so** fixed for redemption interest on the Bonds or portions thereof **so** called for redemption shall cease to accrue. If a portion of this Bond shall be called for redemption, a new Bond or Bonds in a principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon the surrender hereof.

The registration of this Bond is transferable by the Owner hereof or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture.

The Agency and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the Agency nor the Trustee shall be affected by **any** notice to the contrary.

The Bonds are issuable in the form of fully registered Bonds without coupons in the denomination of \$100,000 or any integral multiple of \$1,000 in excess thereof. The Trustee shall not be required to register the transfer of or exchange any Bond during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor to register the transfer of or exchange any Bonds selected or called for redemption in whole or in **part**.

The owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Agency and the

rights of the owners of the Bonds at any time by the Agency with consent of the owners of a majority in aggregate principal amount of the Bonds. Any such consent or waiver by the owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any Bond issued upon registration of the transfer of or exchange of this Bond, whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions permitting the Trustee to waive certain past defaults under the Indenture and their consequences.

It is hereby certified, recited and declared that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Act, and by the Constitution and laws of the State of California, and that the principal amount of the Bonds, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Act, or by the Constitution or laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been dated and signed by the Trustee.

IN WITNESS WHEREOF, the Agency has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the designee of its Chair and attested by the manual or facsimile signature of its Secretary.

CALIFORNIA HOUSING FINANCE
AGENCY

By: _____
Executive Director

Attest:

Secretary

Date of Authentication:

This Bond is one of the Bonds of the issue described in the Indenture described herein.

[NAME OF TRUSTEE], as Trustee

By: _____
Authorized Officer

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FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond, and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Bond on the registration books of the Trustee with full power of substitution in the premises.

DATED:_____

Signature Guaranteed by:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

By: _____
Title: _____

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