CHFA BOARD OF DIRECTORS

Thursday, September 12,2002

Hilton Burbank Airport
& Convention Center
2500 Hollywood Way
Burbank, California
(8 18) 843-6000

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the June 6,2002 Board of Directors meeting.

3. Chairman/Executive Director comments.

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS	
02-024-S	4S Ranch Apartments	San Diego/ San Diego	120	
Resolution 02-18				802
02-025-S	Laguna Canyon Apartments	Irvine/ Orange	120	
Resolution 02-19				822
02-029-N	Gateway Santa Clara	Santa Clara/ Santa Clara	42	
Resolution 02-20				842
01-043-S	Parkwood Apartments	Yorba Linda/ Orange	100	
Resolution 02-21				860
02-027-N	Cedar Park Apartments	Grass Valley/ Nevada	81	
Resolution 02-22				880

02-028-S	Villa Madera	Oxnard/ Ventura	72	
Resolution 02-23.				.900
02-008-N	White Rock Village	El Dorado/ El Dorado	180	
Resolution 02-24.				.920

5. Review and discussion of the Section 8 Loan Refinance Policy. (Linn Warren) .... .942

6. Closed session to confer with, and receive advice from legal counsel regarding pending litigation in CHFA v. Hanover California Management and Accounting Center. Inc.
(Tom Hughes, General Counsel; O'Melveny & Myers LLP [outside counsel])

7. Discussion, recommendation and possible action relative to the termination of the Insurance Committee. (Nancy Abreu; Tom Hughes)
Resolution 02-25. .... .948

8. California Housing Finance Agency Branding Campaign Update. (Chief Deputy Richard LaVergne; NCG Porter-Novelli: Steve Swatt, Teala Schaff)

9. Discussion of other Board matters/Reports.

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

NOTES

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

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be November **14,** 2002, at The Westin Hotel, Francisco Airport, Millbrae, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, June 6, 2002
9:30 a.m. to 12:05 p.m.

"Minutes approved by the Board of Directors at its meeting held: 09-12-02

Attest: ____________ "

Reported and Transcribed by: Ramona Cota

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A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

EDWARD BAYUK

JULIE I. BORNSTEIN

EDWARD M. CZUKER

CARRIE A. HAWKINS

KEN S. HOBBS

ROBERT N. KLEIN II

PAT NEAL

LUPITA OCHOA

THERESA A. PARKER

JEANNE PETERSON

Staff Present:

THOMAS C. HUGHES, General Counsel

JOJO OJIMA

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

For the Staff of the Agency:

JANE BROADWAY

KENNETH CARLSON

DAWN HULBERT

TINA ILVONEN (Contractor to CHFA)

DOM MAIO

DIANE RICHARDSON

LINN WARREN

KATHY WEREMIUK

LAURA WHITTALL-SCHERFEE

Counsel to the Agency:

TODD MITCHELL, Orrick, Herrington & Sutcliffe

Members of the Public:

BERNADETTE ATTLEWEED, Bay Area Coalition of Deaf Senior Citizens

RYAN CHAO, Satellite Housing

JOAN DAVIS, Satellite Housing

BERNICE SINGLETON, Bay Area Coalition of Deaf Senior Citizens

JULIAN (BUDDY) SINGLETON, Bay Area Coalition of Deaf Senior Citizens

CINDY VERVELDE, American Sign Language Interpreter

PENNI WARFORD, American Sign Language Interpreter

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P R O C E E D I N G S

THURSDAY, JUNE 6, 2002 SACRAMENTO, CALIFORNIA 9:43 A.M.

CHAIRMAN WALLACE: I would like to call the meeting to order. That's a big order. Secretary, call the roll.

ROLL CALL

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

MS. PETERSON: Here.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Here.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Here.

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

MS. NEAL: Here.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Here.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Present.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Present.

MS. OJIMA: Mr. Shine?

(No response)

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. OJIMA: Mr. Gage?

(No response)

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

MS. OCHOA: Here.

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN WALLACE: We have a quorum, which is a good thing. The last time we met in this room we did not, so we are about 45 minutes ahead of schedule compared to the last meeting that we had here. Having said that, I anticipate, and I know some of you have mentioned it, that this should go reasonably quickly. Since a number of us have luncheon appointments, let's try real hard to be out by noon today. There are not a lot of projects, though we have some interesting ones.

APPROVAL OF THE MINUTES OF THE JANUARY 10, 2002 AND MAY 16, 2002 MEETINGS

With that, let's talk about the minutes, which you all read in the last seven days. Any corrections, changes, additions, deletions on the minutes of our January 10? You will recall we slow forwarded that for two meetings now. January 10 of 2002 and May 16 of 2002 Board Meetings. Any changes? Any recommendations?

MS. PARKER: Mr. Chairman, someone has left me a note telling me that on page 77 line 15 ***Acosta*** should read ***a Costa*** but I can't find it on my minutes. So whoever left me this kind note --

MS. RICHARDSON (FROM THE AUDIENCE): It's 77 at the top.

MS. PARKER: Oh, it's on page 76.

CHAIRMAN WALLACE: Oh, C-O-S-T-A. You drop the A and capitalize the C, Senator Costa.

MS. BORNSTEIN: The A should be a preposition.

CHAIRMAN WALLACE: Is that correct?

MS. PARKER: Yes. It's a Costa bill, meaning --

CHAIRMAN WALLACE: **A** Costa?

MS. PETERSON: A bill of Senator Costa.

MS. PARKER: Yes. Senator Costa.

CHAIRMAN WALLACE: Okay.

MS. BORNSTEIN: The name of the author is ***Costa.***

CHAIRMAN WALLACE: That is not to be confused with Contra Costa.

MS. BORNSTEIN: Correct.

CHAIRMAN WALLACE: This is going the wrong way, isn't it? It's small A, capital C and a space in-between.

MS. BORNSTEIN: Correct.

CHAIRMAN WALLACE: Secretary, got that?

MS. OJIMA: Yes, sir.

CHAIRMAN WALLACE: Ed?

MR. CZUKER: Mr. Chairman, I --

CHAIRMAN WALLACE: Pull up the mike a little closer, Ed.

MR. CZUKER: I move to approve both minutes, January and May's minutes.

MS. PETERSON: Support.

MR. HUGHES: We should probably have separate motions on them, I would think, just in case anyone decided --

CHAIRMAN WALLACE: Your motion has been bifurcated. Do you agree?

MR. CZUKER: Yes.

CHAIRMAN WALLACE: And the supporter agrees?

MS. PETERSON: Yes.

CHAIRMAN WALLACE: Okay. Czuker and Peterson in both cases. So we need to do a separate roll call, counsel?

MR. HUGHES: I think you do, yes.

CHAIRMAN WALLACE: This is challenging to the great legal mind, as you can plainly see.

MR. HUGHES: I probably should have kept my mouth shut, Mr. Chairman.

CHAIRMAN WALLACE: Secretary, call the roll on the minutes of January 10, 2002.

MS. OJIMA: January 10. Ms. Peterson?

MS. PETERSON: Aye.
MS. OJIMA: Mr. Bayuk?
MR. BAYUK: I wasn't here for that meeting.
MS. PARKER: You could abstain.
MR. BAYUK: Abstain.
MS. OJIMA: Abstain, thank you. Ms. Bornstein?
MS. BORNSTEIN: Aye.
MS. OJIMA: Ms. Neal?
MS. NEAL: Aye.
MS. OJIMA: Mr. Czuker?
MR. CZUKER: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Hobbs?
MR. HOBBS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Aye.
MS. OJIMA: The minutes of the January 10, 2002 Board Meeting have been approved.
CHAIRMAN WALLACE: The minutes of our January 10, 2002 meeting are hereby approved. Let's have the secretary call the roll on the minutes of May 16, 2002.
MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: I'll abstain since we have a quorum.

MS. OJIMA: Thank you, Mr. Hobbs. Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: The minutes of the May 16, 2002 Board Meeting have been approved.

CHAIRMAN WALLACE: The minutes of our May 16, 2002 Board of Directors Meeting are hereby approved.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Moving on to Item 3, wherein the Chairman and/or the Chief Executive Officer have items of note. Number one, we continue, as you have heard on a series of Board Meetings, to talk with CAR about CaHLIF. There's probably, as we speak, some late-breaking advance, but the most recent discussion was relative to CHFA and **CAR** putting up some money for a study. That would have cost us **$25,000**, them **$25,000**. I don't think we are going to do that study after a series of meetings in which Terri and senior staff have participated. In fact, that whole issue, and Terri can embellish a little bit, may be coming to a head vis-a-vis *CAR*.

Secondly, I have the distinct pleasure of -- I think, Ken, we want to honor you for your years of service. It would not be appropriate if we did not give you a plaque. But it is a very nice resolution, Ken, which I know, having been with you much of this time, seriously understates the contributions that you have made; but it really sure sounds good as you read this resolution. It will take me about a week and a half to read it so I am going to defer.

MR. HOBBS: Mr. Chairman, please don't. You have a noon luncheon appointment, Mr. Chairman.

CHAIRMAN WALLACE: But it does talk, Ken, a little bit about your educational past at University of Redlands, it talks about your service with the Riverside County Planning Department and various aspects of your service down south. It talks about your service as assistant city manager in Riverside and Victorville and other things. Dawn and the staff have done a good job keeping track of you here. It talks about your move to - which many of us remember in 1996 when you saw the light and headed north - where you have been for a number of years the City Manager of the City of Hercules, until recently retiring.

It talks about your appointment to this Board in January of 1993 by then-governor Pete Wilson, and it acknowledges that you have served the second-longest term as a Board Member of anyone in this Agency, which shows what great courage and fortitude you possess. It talks about some programs that you have held a prominent lead for us here at CHFA. It talks about years of community service, NAACP, YMCA, Boys Clubs. It talks about your recent retirement on the sixth day of June from this Agency, and then it says what a superb individual we think you are.

So, Ken, it is with a great deal of regret that I present this. I know the Board Members echo the sentiment because we talked about you when you weren't here last meeting and how great your contributions have been to CHFA and the citizens, particularly the under-served housing citizens of California. So, Ken, it is with regret but a lot of pleasure that in behalf of the whole organization known as the California Housing Finance Agency you are able to be here today and accept this award.

We understand that your health and the problems that you have had are improving significantly, and we suspect that that's related to the fact that you are retiring from this Board. But in any case I think Ken Hobbs is a great guy, served us well and we all ought to give him a big hand. Ken. (Applause) That's one of those throw-away cameras.

MR. MAIO: It's a throw-away photographer.

MR. HOBBS: It's a low-mod camera.

CHAIRMAN WALLACE: A low and moderate camera. I think it appropriate that Terri -- There's more.

MR. HOBBS: Oh no, no, no.

CHAIRMAN WALLACE: Terri has, on behalf of the Board, a little gift that we would like her to present Ken.

MS. PARKER: Thank you, Mr. Chairman. Mr. Hobbs, it is with a great deal of pleasure, but also bittersweet, to present to you this gift on behalf of the Board, and also on behalf of the staff of the California Housing Finance Agency. I wanted to share one brief story about my experience with having you be on my Board. As an Executive Director and having a Board as your authorizing environment and having 11 voting members, it is always a bit of a challenge to make sure that you are serving your Board Members all well, and that you can assure at each Board Meeting that you have a quorum and that you will have enough votes to essentially accomplish what our mission is.

The first time I met Mr. Hobbs, and every time I have talked with him, he has always stressed one particular thing with me. That is, whatever he can do to help the California Housing Finance Agency he would be here and be here to do it. As an Executive Director reporting to a Board and needing to accomplish things, I can't tell you what a better sentiment it is to have a Board Member say that to an organization. We have always been able to count on you. At times that has been extremely difficult, but you have always come through.

Again, we give you this gift. We hope that when you see it on your desk or your mantle, or wherever you and Deb put it in your house, in the future you will think of us and you will think of the memories of the time that you spent with us. But most of all, you will take with you a legacy of what you have accomplished here at the California Housing Finance Agency.

MR. HOBBS: Thank you. (Applause)

MS. PARKER: You have to open this because it's pretty impressive.

MR. HOBBS: Okay, all right, all right.

MS. OJIMA: Do you need help?

MR. HOBBS: I think I can probably do it.

CHAIRMAN WALLACE: I want you to know, Ken, I did not wrap that.

MR. HOBBS: Okay.

CHAIRMAN WALLACE: But secondly, you should save the wrapping. Tear it carefully. In case, like my mother always did, you want to send us back a gift of some sort at Christmas.

MR. HOBBS: I don't think it will be going back. I am not used to this.

CHAIRMAN WALLACE: Fooled you.

MR. HOBBS: That is absolutely beautiful.

MS. PARKER: And it says: "Presented to Kenneth S. Hobbs." That's hard to read. (Laughter)

MR. HOBBS: "With sincere appreciation."

MS. PARKER: "With sincere appreciation." Go ahead.

MR. HOBBS: "With sincere appreciation for your outstanding leadership, dedication and support for affordable housing as a member of the Board of Directors of the California Housing Finance Agency, June 2002." It is absolutely beautiful. Unfortunately, I don't know if I can hold it high enough. Thank you.

CHAIRMAN WALLACE: I thought it was a speedometer for your machine there. At any rate, Ken, do you want to say anything more? If you do, Bob Klein, your old seat mate, will hold that microphone up close and personal for you.

MR. HOBBS: Mr. Chairman and members of the best board that I have served on outside of my family business, I just want to say thank you for the privilege of service and for allowing me the opportunity to be a part of something that is so necessary in California and something that has turned out so beautiful. I will always be a member at heart of the California Housing Finance Agency. And I have extended to you, Mr. Chairman, and to our Executive Director, as long as I walk this earth I will be there for CHFA in any little way that I can support it.

My wife and I in the next 48 hours will be following the moving van down to the low desert to semi-retirement. My body has failed me but my mind is still active. So whether it is in a voluntary or non-voluntary supportive role I am here to support low-mod housing and its goals in California. So thank you very, very, very much for the privilege of service. Despite all that has been said and written we have sincerely enjoyed public service; I would do it again in a moment. It is my intent to continue to be of support to those in need, especially in the interest of housing and low-mod housing in California.

So thank you very, very, very, very much. I expect that Mr. Klein and Mr. Czuker, the new rebels of the Board, will continue to carry the torch. I remember many, many years ago when I walked into the Board Meetings I could almost hear Board Members say, oh no, here he comes. So it has taken awhile for staff to mellow me. But we have always been supportive. But thank you very much.

Especially with Ms. Hawkins who has been there from the beginning to the end. She has watched maturity from a housing standpoint and, unfortunately, she has watched my physical stature deteriorate as well. For those of you who knew me and worked with me back then, it was bittersweet. To my wife I want to say publicly, thank you for everything. I could not be here, I would not be here but for her, who practically has to do just about everything for me.

In closing, the disease that I have is a disease called nemaline myopathy.

CHAIRMAN WALLACE: Would you spell that (laughter).

MR. HOBBS: There's something less than ten adults in the world with the disease. It is a neuro-genetic autoimmune system disorder that somewhere back in the generations got into my bloodstream. There are approximately 300 people in the world with it. It's generally considered a pediatric disease and the life expectancy is somewhere between four to six years after diagnosis. We were diagnosed with the disease approximately two years ago. They gave up on me then and I'm still here. We are under a special medical protocol with UCSF but that has, unfortunately, been recently what has kept me away from business. As a result of that medical protocol, it involves chemotherapy treatment and steroids, it is pretty devastating to my body. But we are here, we are thankful for it.

We intend to continue to support everything we can. It is in the muscular dystrophy-type of disorder family but it is one of those diseases -- We were the twenty-seventh patient in Mayo Clinic history with the disease and that's in 118 years. It is a very, very rare disorder. Essentially, the immune system turns on your muscular system and simply begins to draw out the protein rendering the muscles useless. We continue to defy the doctors; we will continue to fight with all that we know how. As long as my mind can fight I am going to go forward, particularly for organizations like CHFA. I will not be a Board Member, but you know that you don't have a stronger supporter. I am here to help, Mr. Chairman.

CHAIRMAN WALLACE: A big man with a bigger heart. Debra, could we acknowledge you? Ken's wife. He said some nice things and we sure -- (Applause) And Ken's other seat mate that he referred to, Carrie Hawkins.

MS. HAWKINS: For the record, this is the saddest day that I have experienced at CHFA as a Board Member. And contrary to what Ken said about, oh no, here he comes, every time I see Ken come, and I think that everyone shares that sentiment, I say, he just makes you feel good and you know things are in control. I have never served with anyone finer or anyone who has added more value to a board than Ken Hobbs.

It is his character, his expertise and his commitment. I have observed it for many, many years and I am going to miss you so much seated next to me. But we will keep in touch and you can count on my prayers. And we both believe in miracles --

MR. HOBBS: Oh yes.

MS. HAWKINS: Hopefully we will be able to promote housing for a long, long time.

MR. HOBBS: That's my goal.

MS. HAWKINS: Thank you, Ken, for being a friend.

CHAIRMAN WALLACE: Carrie, thank you. Anyone else? It is not a requirement of the Board membership. Bob.

MR. KLEIN: Ken, I would like to say that the companionship and the collegial support in that loyal but critical review of ideas and concepts that have passed our way as I was on the Board with you have been tremendously gratifying to me. When things got a little lonely, it was great to know that you would probably be there. An independent critical mind but often looking at the same perspective. So I would say this Agency has tremendously benefited from your contribution over the years, but individually each of us has gained a wealth in treasure from your participation as well and I would like to personally thank you.

MR. HOBBS: Thank you, sir.

CHAIRMAN WALLACE: Okay, Hobbs. If you have got a note from your doctor, you can be excused from the rest of the meeting but we are happy to have you stay as long as you choose. It's your call.

MR. HOBBS: I think that I owe my wife breakfast.

CHAIRMAN WALLACE: We'll get her a muffin.

MR. HOBBS: I owe my wife life. So, Mr. Chairman, inasmuch as you do have a quorum, you know that I will always be supportive. There is a Hercules project here, please consider it. To the bitter end.

CHAIRMAN WALLACE: Thank you, Ken, and thanks for all the effort, you and Debra. We were sure hoping you were going to be here with us and you did. It is just the old Hobbs spirit still with us. Ken, God bless you.

MR. HOBBS: Thank you.

RESOLUTION 02-14

CHAIRMAN WALLACE: Okay. With that, let's get on to the projects. Linn, you have got three of them.

MR. WARREN: Yes, we do, Mr. Chairman, thank you and good morning. We have three projects for your consideration today so we will get right to it. The first project that we have is Plaza Del Sol Apartments. This is a 70-unit fixed-income new construction project for family housing in Simi in Ventura County. The request in front of the Board today is for a first loan in the amount of

$787508000, 5.7 percent interest rate, 40-year fixed, fully amortizing loan, tax-exempt. This project, as Laura will describe in a minute, has very strong locality support. There is a $1.4 million loan from the City of Simi Valley Community Development Agency as well as HOME funds in the amount of $1,462,000.

This is a very strong initiative, as I said, for Simi Valley. As a matter of fact, when we first brought the project to them, as we said in the prior mixed-income transactions, we wanted to see greater affordability, or as much affordability as the project can provide. So in that particular case we did achieve our goal here of 40 percent restricted rents. With that, I think we will let Laura go through the slides and describe the property to you.

MS. WHITTALL-SCHERFEE: This first slide shows an aerial view of the project. The project is that rectangular piece at the bottom of the screen. You can see at the top of the slide, or kind of in the middle, a large square graded piece that is a vacant lot. That vacant lot is going to contain for-sale condominiums, senior rental housing, and a very large commercial piece which will have an anchor tenant that is a major grocery store. In the write-up there was a grocery store mentioned within one block. That particular full-service grocery store has since closed but in its place we are going to have a major, brand new supermarket.

Let's go to the next picture. It's an overview aerial of the project. You can see it borders Alamo Street, which is the large street that is running across the picture. On the other side of Alamo are primarily residential homes; there is one vacant lot. On the left side of the picture is a condominium project. On the right side of the picture are older apartments; it's Fairbanks Apartments, that's on Fairbanks Street. And you can see the edge of the graded lot which is going to be all those new items that I described earlier. Right in front of the Fairbanks Apartments is the local bus route.

Behind, closest to us, are other residential homes. Most of the residential homes in this area were built in the 1960's and 1970's. They average about 1,500 square feet, and they have been selling at approximately $282,000 apiece for a 1,500 square-foot, three-bedroom, two-bath home that was built between 1960 and 1970. So the average income that you would need to be able to afford one of the surrounding homes is about $65,000.

This is an aerial shot showing the freeway, which runs across the screen. It's Freeway 118, the Ronald Reagan Freeway, and Tapo Canyon Road, which are the main arteries for Simi Valley. The project is, once again, the rectangle on the right-hand side of the screen. On the other side of the street across from where you see the graded lot are the city council, the civic center, the senior center. All kinds of public buildings are just across Tapo Canyon Road from that graded lot.

These are pictures of the actual site. This is on the corner of Fairbanks. Fairbanks Apartments is behind us, and this is a picture of where the subject property will go. You can see the residential housing behind. This portion of the project will not be fenced in. This is the portion of the project that will just have a lot of additional landscaping that the City is requiring. Fencing will be against that back wall where you see the residential housing and against the condominiums that border on the far end of the project.

This is a shot up Alamo; Fairbanks Apartments is to your right. For those of you that are interested, Fairbanks Apartments was also built in the 1970's. It is 20 two-bedroom units, nothing other than two-bedrooms, and the rents run between $900 and $950. It has no special amenities like swimming pools or anything close to what this project will offer and its unit sizes are smaller. This is the shot of Fairbanks Apartments. We are looking across from the other side of Alamo Street and the project. The site for Plaza Del Sol is to the right side of the picture. This is looking up Fairbanks Avenue into the residential subdivision.

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This is an elevation shot of Plaza Del Sol. The design is going to be townhouses. There will be some one-story buildings, most of them are two-story. The concept is that they are going to be townhomes. They are going to have attached garages; the garages will include washer/dryers. This is a 49 percent affordable housing project. The reason for that is Simi Valley does not have Article 34 authority, and so we have had to limit it to this 49 percent.

This is a site plan that shows the general artist's rendition of what the project will look like. The thing that is very attractive to the City about this project is that the density is very, very low; it's 13.4 units per acre. It is more like what you would see in a condominium project as opposed to an apartment project, and it is what makes the appeal of the market rate component of this project so very attractive to everyone.

And these are the rents. For the sake of space we did not include the one-bedrooms, but the rent chart is in the book as well. What is important is to note that the market rate on the twos, threes, fours, and also on the ones, are at least ten percent, and in most cases more, below what the actual market study shows the rents to be. The market study gave us one set of numbers, the appraiser gave us another set of numbers, in terms of what rents were for this area.

The rents from the market study were actually lower than what the appraiser said. Because of the large number of market rate units in this project, we chose to go with the lower rents projected in the market study for what market is right now. Although we believe that the appraiser is probably closer on target with what are actual market rents, given the amenity package of this project, given garages, washer/dryers, a pool, tot lot, community room, things that market rate projects in this area right now do not have.

There has been no new market construction in this area since 1975, approximately. There have been two low-income housing projects that have been constructed, but there is nothing in the way of new market rate apartment projects in this area.

MR. WARREN: Thank you, Laura. From an environmental standpoint there is a leaking underground storage tank about a tenth of a mile from the project. The groundwater flows indicate that it is not going to be a problem; however, we will get an updated Phase I to determine that. And as with all of our projects that abut well-traveled streets, we will be going after noise attenuation procedures to mitigate it with double-paned windows and such like that. So with that we think it is a very good project. Obviously, it fits our mixed-income pro forma. We would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: All right, Ed.

MR. CZUKER: Thank you, Mr. Chairman. First, a staff question in terms of the format under the Sources and Uses: Is it possible to add a third column that would be percent? That would give you the percent of the total budget, for example, that's allocated to our loan, to all the other sources of equity or debt that are supporting the project. Because it is easier to, instead of having to calculate it ourselves, to already have a third column that adds a percentage.

MR. WARREN: We will add that, Ed.

MR. CZUKER: Also, from a clarification standpoint: The fees, escrows and reserves that typically go into these projects obviously require a handful of letters of credit or standby letters of credit to support. Are those built into the loan amounts to the extent that, for example, a nonprofit that is unable to provide those letters of credit, are proceeds from the CHFA mortgage used to help secure those letters of credit?

MR. WARREN: In most cases it is included in the capital budget. Generally speaking, though, Mr. Czuker, we do not use loan proceeds to pay for the letter of credit costs. Most times the equity investors or other monies are spent for it, although as a practical matter, the loan proceeds may go to pay those costs. We track them in the capital budgets themselves, although we don't specifically preclude or include the ability to pay it out of loan proceeds.

CHAIRMAN WALLACE: Julie.

MR. CZUKER: Thank you.

MS. BORNSTEIN: Thank you, Mr. Chairman. I have, actually, one comment and one question. On the HOME loan information on page 307: My staff indicates to me that the rate on our HOME loan is actually 3 percent rather than 5.3.

MR. WARREN: Ms. Bornstein, I forgot to mention that. Yes, it is 3 percent and that is our error. It is not 5.3, it is 3.

MS. BORNSTEIN: You just want to make it look a little better than it does. And then the question I have: In the townhome units is there a bathroom on the first floor?

MS. WHITTALL-SCHERFEE: There is a half-bath.

MS. BORNSTEIN: We are trying to promote universal design and accessibility and visitability in all units, and there has been quite a bit written up about affordable housing and public housing on the east coast where the townhome design did not include a bathroom on the first floor. It made it very difficult for persons with physical challenges to be able to visit and certainly to live there. But I'm glad to hear that we are doing that, thank you.

CHAIRMAN WALLACE: Jeanne and then Bob.

MS. PETERSON: I just had a question on the Sources and Uses page with respect to the TCAC/Other Costs. I see that we are at over ten-and-a-half thousand dollars per unit. That would be lovely from another hat that I wear but it strikes me as being a very high amount. I am wondering what the bulk of those costs are.

MS. WHITTALL-SCHERFEE: The bulk of that are impact fees. I noticed that after we sent this to print because you did make that comment last time.

MS. PETERSON: Thank you.

MR. WARREN: Ms. Peterson, we keep trying to send more money your way as best we can.

MS. WHITTALL-SCHERFEE: Yes, we do.

MS. PETERSON: Appreciate it.

CHAIRMAN WALLACE: Should we have a separate line for TCAC?

MR. WARREN: We shall.

CHAIRMAN WALLACE: And you reserve the right to raise that at the next meeting as well.

MS. WHITTALL-SCHERFEE: It is over $600,000 in impact fees that are in that line.

CHAIRMAN WALLACE: Yes, Mr. Klein.

MR. KLEIN: Mr. Chairman, I am very supportive of this project. I do have three more informational-type questions. One is on page 305 under Environmental in the second line. I noticed that even though this is a family project, we are allowing LUST in the neighborhood. (Laughter) But since the LUST was limited, I thought maybe --

CHAIRMAN WALLACE: Moving on, Mr. Klein. I was tempted too.

MR. KLEIN: But moving on to a more serious level of information.

MR. WARREN We are very passionate about our projects.

MR. KLEIN: The Article 34 point: We have many projects that are 100 percent projects in cities without Article 34 approvals. So I was wondering if bond counsel could comment on how we are differentiating this project from those projects that are 100 percent affordable projects that are located in cities without Article 34, or, in fact, are those only occurring through city and county issuers, not our issuance?

MR. WARREN: I don't know if -- Todd?

CHAIRMAN WALLACE: Please come and use a mike, Todd, if you would, and identify yourself.

MR. MITCHELL: Hi, I'm Todd Mitchell from Orrick, Herrington. I am going to have to ask that I have Stan get back to you on that. Unfortunately, I just do not know the answer off the top of my head.

MR. KLEIN: Okay. I think this is an important question. As I say, I am very supportive of this project and I recommend we go forward. But perhaps in a fall Board Meeting, where we have plenty of time to look at it, it would be good to have a discussion paper so we can understand these issues as they relate to Article 34. Because there is a great deal of change going on in cities on how they are approaching this issue. I am concerned about a merger of the state and governmental action character of our loans with the state and governmental action character of the cities' participation, particularly when there's a nonprofit. Potentially, we should be able to go to 100 percent without an Article 34, but we need some guidance as to what the discriminating points in the decision should be.

MR. WARREN: I think that's right, Mr. Klein. We address this on a regular basis. I think on this particular instance the locality did not have immediately available 34 authority. They wanted mixed income. So I think this particular project easily fell under the 50 percent wire under 34. And Tom may want to jump in on this. But I think that there are a lot of nuances to Article 34. Obviously, in the areas of preservation it is rarely an issue for us, but in the areas of new construction, yes, it is an issue.

Many lenders, as you know, private lenders, don't take any -- there is no real consideration on their part about this. Part of the role for the Agency is, what is our role, both from a regulatory standpoint and from a financial standpoint and where does it all come out? So I think that's appropriate that by September we sit amongst ourselves and have a chat and report back to the Board. But it is a complex issue, as you know, Mr. Klein. There is no simple answer to it.

MR. HUGHES: I think that's correct. And, Mr. Klein, as you and I discussed the other day, the Agency at the staff level have been looking at the issues of what the proper role of the Housing Finance Agency is vis-a-vis Article 34. And Linn is correct that in many cases, I think, the Agency has been the only body that is really overseeing compliance with Article 34 as a lender, even though that is not necessarily our statutory mission. Tax credit investors, I understand from speaking to their attorneys, are starting to look more carefully at these issues too. So our plan is to have an analysis and some policy decisions on the whole range of Article 34 issues and we will be prepared to present that in the fall meetings.

MS. BORNSTEIN: Mr. Chairman, on the same topic. I am wondering if HCD could participate with the staff on this. We have had a number of internal discussions as well on the application of Article 34 and have seen some different approaches. But I think we would benefit by engaging in those discussions with CHFA, and again, also to have a consistent position.

MR. WARREN: I think that's right, Ms. Bornstein. As you know, in Loan and Grant Committee this issue comes up on a regular basis, and it is part of the tie-in to MHP and all that.

CHAIRMAN WALLACE: Good idea, and thanks, Bob, for bringing it up. Are you satisfied with the answer sufficient that you are willing to --

MR. KLEIN: Absolutely. I think it is just that we need to be forward-looking, to have planning addressed to this issue, because some of the different layers of interrelationship with local government we are going through to try and develop new and innovative programs - which we should absolutely be doing and I salute the staff for their efforts to do that - result in sets of facts that perhaps we should have more guidance in approaching. So I think that fall timetable probably works very well. In the interim, because this was an issue that arose in the bond validation actions originally in 1976, I would like to participate with Orrick in their discussions as it relates to the validation action. How the Article 34 issue arose in that context.

The third item that I had was relating to, the debt service coverage. I noticed it is a 1.08. You are running a 7 percent vacancy on market rate even though, as you point out, you are significantly below market on the market rate units. So I would assume that at a 5 percent vacancy rate you might have a 1.10 coverage or slightly above a 1.10 coverage. Generally, even though we do have lots of reserves, and unlike a lot of cities and counties, have the ability to stand in and support our projects, that we are generally underwriting with a higher debt service coverage.

MR. WARREN: That's correct, and particularly in the areas of mixed income. In this particular case, Mr. Klein, a couple of factors: The vacancy rate you indicated is one. The Simi market is strong, it has traditionally been a strong market, and the project design. This is the lowest density I have seen in quite some time. We have attached garages, we have wonderful amenities. This is going to be a very competitive project from a market-rate standpoint. The expense-to-income ratios are well within limits so we have a nice gap that forms over a period of time. We felt it was an acceptable risk to do so.

MR. KLEIN: Just interpolating these numbers it looks like someone could make a reasonable case that we were really at a 1.15 on a more optimistic viewpoint, or between 1.15 and a 1.20.

MR. WARREN: Well, one could argue that could be an equivalent.

MR. KLEIN: Thank you very much.

MS. HAWKINS: Mr. Chairman?

CHAIRMAN WALLACE: Yes, Carrie.

MS. HAWKINS: I like the project and I am about ready to move for approval, but I have a question regarding the support services. And maybe I just missed it. But if you would please tell me, is the resident manager also the service coordinator? The same person manages both areas?

MS. WHITTALL-SCHERFEE: Cabrillo Economics is the sponsor on the project. They have their own service agency. They incorporate and do full-service management, which includes services specifically for the residents in that project. They are going to have things like a computer room. They are going to have a variety of amenities that in some instances will depend upon what the tenants themselves need. But we know that the community room is going to be a very open room, specifically so it will be flexible and be able to incorporate the services that are decided that they want and need by the tenants once they move in. But Cabrillo, that is part of their package as a property manager.

MS. HAWKINS: Thank you.

CHAIRMAN WALLACE: Ed.

MR. CZUKER: I'm equally supportive of the project. I am just questioning whether I am interpreting the Deferred Developer Equity correctly on page 308 in looking at the Sources and Uses. In the write-up it talked about that the sponsor owns the land. Was the Deferred Developer Equity part of some appraised value of the land, or is it part of the developer overhead and profit that is being held back?

MR. WARREN: It's a developer overhead capital budget issue at this juncture so this is the final Sources and Uses after completion.

MR. CZUKER: So CHFA will then control a portion of the developer fee/overhead held back as a deferred equity to balance the budget?

MR. WARREN: They would, in this particular case, Ed, receive a portion of the developer fee at permanent loan close and the balance would basically be an earn-out or a cash flow to feed over the next ten years. It's a below-the-line cash flow payment.

MR. CZUKER: Thank you, Mr. Chairman. With that I move approval of the project.

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: Second by Hawkins, motion by Czuker. Any questions on the motion from the Board or from the audience? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

(No response)

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Let me just double-check. This is a carryover project from last year? A 0-1 from late last year? It's 01-042.

MS. PARKER: The Resolution is 02-14.

CHAIRMAN WALLACE: It's a carryover project from last year when I am looking at the number on the project.

MR. WARREN: Oh, oh. I'm sorry, Mr. Chairman, I thought it was a resolution from last year. Yes, the application was received in 2001. Yes.

CHAIRMAN WALLACE: Okay. Aye.

MS. OJIMA: Thank you, Mr. Chairman. Resolution 02-14 has been approved.

CHAIRMAN WALLACE: Resolution 02-14 is hereby approved. Moving on. Let's do Victoria Family Housing.

RESOLUTION

MR. WARREN: Thank you, Mr. Chairman. Tina Ilvonen, who I think the Board knows. Tina was formerly a vice president with SAMCO and is working with us on a contract basis and this is her project. The commitment request in front of the Board today for Victoria Family Housing is a request for two loans. The first is a permanent 30-year fixed loan in the amount of $9,730,000 and the second is a bridge loan for 3 years, simple interest, **$5,525,000.** As your materials indicate, there is also a very strong locality contribution to this, the Board of Contra Costa Supervisors, $1.4 million in HOME funds. This is an MHP HCD award recipient of funds in excess of $5 million.

Tina is going to talk about the environmental, I think in some detail, but let me give you a little bit of background. This is a former refinery site, and it is one of our most significant brownfields projects that we are bringing to the Board.

Brownfields legislation that was passed and actually signed by President Bush in February serves to give a lot of developers some exceptions to the super fund legislation that is intended to promote brownfields development. Part of the problem that has occurred is with the brownfields legislation the EPA to date is having a tough time getting all their regulations organized. As a matter of fact, the legislation calls for regulations to be promulgated, which by EPA's estimates, will take, probably, a year-and-a-half to two years.

As sometimes with well-intentioned legislation, it has also confused the issue somewhat. So we are working our way through exactly what this means, of the brownfields act vis-a-vis CERCLA and super fund liabilities. Tom and I have spoken and this is one of the agenda items we will take care of this fall. So with that context we want to proceed. But it is the Agency's normal procedure, or it is the Agency's procedure, that on sites that have been remediated we spend a lot of time up front doing our own due diligence as to the effectiveness of the remediation, and we are relying upon local quality control boards to give us a clear letter. So with that I am going to go ahead and be quiet and let Tina talk about the project.

MS. ILVONEN: This first slide shows the Pacific Oil Refinery on the site in 1997. At the very back of the site, this right here, is Interstate 80. This is San Pablo Avenue, this is the San Pablo Bay, this right here is the Victoria affordable housing site. As you can see, this part of the oil refinery was never developed. And while I have this slide up, I might as well talk about the environmental on this project.

Catellus, the master developer, purchased this entire site, which is about 200 acres, in 1997 and they dismantled the old refinery structures. They knew they were going to need to do environmental cleanup on this site so they didn't do a Phase I or Phase 11; they proceeded directly to cleanup. This is what the site looks like now. It has been rough graded. I wanted to let you know that when the environmental work was completed, there were two leaking storage tanks on the site, right here and about right here. Groundwater wells were installed; there were about 93 groundwater wells installed. They did monitoring work from April 1999 to July 2000, and in April 2001 the water quality control board wrote the groundwater letter saying no further action was required.

As far as soils go, there was a soil analysis plan that was implemented between 1999 and 2001 with over 700 soil samples collected and analyzed. The soil cleanup goals were met, according to the initial letter that the water quality control board wrote in 1997 saying what the goals were for the site, and another no-further-action letter was issued in November 2001. The final no-further-action letter states that "staff concurs with New Pacific Properties that the completion of the site investigation and remedial action for pollutant releases at the New Pacific Properties site in preparation for residential development has been completed. Staff concludes that no further investigations or remedial actions are needed for the site."

The risk assessment "concludes that the site is safe for residential and park uses, given the restrictions and the site deed notice against groundwater use and the restrictions recorded against the excavation of soils deeper than 10 feet in residential lots." What happened with the soils is that they were excavated, characterized and then put in different fill areas. There's eight fill areas in this whole 200 acres. There is one under the Victoria site. The buried soil is 12 feet below ground surface and five feet below water. There is also --

MR. WARREN: Above water.

MS. ILVONEN: Above water, sorry.

MR. WARREN: Yes, above the water table.

MS. ILVONEN: There is also environmental insurance on this at the New Pacific Properties site. The first layer is with Catellus and the oil refinery, that is in the amount of $20 million; the second layer is with Catellus and the purchasers of the individual lots. I'll show you the whole site plan in a moment. In the purchase agreement with Eden Housing it states that Eden will be an additional insured at the close of escrow. Escrow is expected to close in December when construction starts. The insurance covers adjacent site cleanup costs, additional site cleanup costs, the actual site, third party bodily injury and property damage.

That's all I have on the environmental. I wanted to know if anyone had any questions on that before I go forward with the rest of the project.

CHAIRMAN WALLACE: Anybody have questions on the environmental issues? Mr. Czuker.

MR. CZUKER: I'll yield to Ms. Neal.

CHAIRMAN WALLACE: Why is that?

MR. CZUKER: I reserve my question following her's.

CHAIRMAN WALLACE: Okay.

MS. NEAL: Thank you very much, Mr. Czuker. You mentioned two insurance entities on the environmental and I only picked up one, Catellus and $20 million. What was the second one?

MS. ILVONEN: There's two layers of insurance.

MS. NEAL: So the $20 million includes both layers?

MS. ILVONEN: The $20 million is with Catellus and the Pacific Oil Refinery; that's the first layer. The second layer is Catellus and all the property owners who purchase the different sites. And these are all the different sites that are being planned.

MR. CZUKER: Who are the insurances from?

MS. NEAL: That was my next question, thank you.

MS. ILVONEN: I actually don't know. I just have a summary of the insurance, I don't have a copy of the insurance itself yet. I've requested that, though.

MR. CZUKER: Is it a AA, AAA rated insurance company?

MS. ILVONEN: I do not know.

MR. WARREN: Hang on.

MR. CZUKER: I guess from a --

MR. WARREN: Keep going. I've got something on that. Keep going.

MR. CZUKER: From a legal perspective we should all consider what type of exposure that poses on the lender and specifically if the lender ever takes title. It may preclude the lender from ever foreclosing because you don't necessarily want to be in the chain of title and physically own the property in the event there is any long-term contingent environmental issue that surfaces later.

MS. ILVONEN: We will definitely have CHFA's legal look at the insurance.

MR. WARREN: I think that's right, Mr. Czuker. I thought I had the ratings here with the carriers. We can get that, that will be part of our due diligence. One of the discussions is, as I said at the outset, where does the secured creditor exemption sit under CERCLA for this? I think our goal, obviously, is if we ever had to take back a piece of property like this, we would take all the necessary actions to maintain that exemption. Which is, basically, keep ourselves out of the owner/operator classifications. But that is something that we have to look at. We will examine the ratings of the insurance folks.

It is important to note, though, that we will be making this loan in two years; and that the single family ownership project, for example, which is, I believe, this area in here, will be starting this summer. So there are a number of other lenders in there. But it will be part of our due diligence.

CHAIRMAN WALLACE: Before closing?

MR. WARREN: Before closing.

CHAIRMAN WALLACE: Pat.

MS. NEAL: Yes, a follow-up. Two. First of all, clarification. The total is $20 million with both layers; is that correct?

MS. ILVONEN: $20 million on the first layer. $10 million on the second layer for each incident.

MS. NEAL: Okay. And another question: Is there any note or mention of subsequent user in the unlikely event that we did have to take it back and then it had to be resold to someone else? Is there coverage for the subsequent user?

MR. WARREN: The owner today, Eden, is a named insurer under the Catellus policies. At a minimum the Agency is a third party beneficiary to that. Our goal is to get ourselves named as an insured theoretically and perhaps pursue insurance of our own. But that is to be determined.

CHAIRMAN WALLACE: Tom.

MR. WARREN: That's a cost issue. Tom.

MR. HUGHES: I think I should just briefly mention, I'll try not to keep it to a half-day seminar, a little bit about our environmental review and our mitigation and hedging strategies on these types of loans. We are in the process of trying to formalize and develop a more formal protocol. But as we go through our due diligence, there are really four things, and Linn and I and our staff have talked about this at some length.

But we want to make sure, number one, that we do our due diligence. We want to make sure that our own operational procedures conform to the terms of the secured lender exemption in CERCLA, and there are some nuances to that that are different for CHFA than some other lenders. We want to look at insurance strategies. There are a number of environmental insurers out there. We have talked about whether we want our own policy, whether we want to piggyback on someone else's policy, and we will certainly be looking at that as we develop more of the specific environmental information. And we have also looked at some extreme hedging strategies that are available in the market which may or may not be appropriate for this project.

But at the end of the day we have both a liability cleanup, government cleanup risk in these kinds of projects, which is that we would have to pay for the cleanup under order by EPA or a California agency, and we have the real estate risk that we might end up with a piece of property that is not marketable. We have talked a little bit about the first one, secured lender exemptions, but on the second one the new brownfields act I think will help us in that regard. Because one of the things that it does is expand the bona fide purchaser/innocent purchaser exemptions so that purchasers from us, if we foreclosed and became the owner of the property, would be able to presumably take the property free of CERCLA liability. To that extent it is hoped that it will expand the market for this type of purchase.

I guess in summary I would say we are doing a pretty detailed look at the overall mitigation and hedging strategies given the fact that the Board has expressed an interest in doing urban in-fill projects. This is, of course, a true brownfields project, but the same issues will invariably arise on urban in-fill projects as well.

MR. WARREN: If I could, Mr. Chairman, the carrier for the Catellus property is United National Company, and they are carrying a Best rating for this policy, which is A+ for insurance carriers.

CHAIRMAN WALLACE: Okay. Any further questions on the environmental? Bob.

MR. KLEIN: While there are important environmental issues that have been discussed, clearly the staff has pointed out that we have plenty of time to make sure that we are fully covered. I think that given this is in the City of Hercules, Ken would want me to point out that although there are significant environmental problems in this neighborhood, there is no LUST in the neighborhood. (Laughter)

CHAIRMAN WALLACE: Okay. Your further presentation then.

MS. ILVONEN: Yes.

CHAIRMAN WALLACE: You are off the environmental.

MS. ILVONEN: I have the whole rest of the project.

MR. WARREN: Oh dear.

CHAIRMAN WALLACE: Okay, let's move to that.

MS. ILVONEN: This is the site plan for the entire project. This is the Victoria site right here. This site is a proposed school site, this is proposed retail. All the rest of these sites will be single-family homes. This is park space and this is shoreline park space. This is another view of the project. This is the Victoria site. Here is a closeup of the Victoria site.

This site will have 16 one- and two-story buildings. It will contain one-, two- and three-bedroom units. The one- and two-bedroom units have one bath, the three-bedroom units have two baths. They will have electric baseboard heat. It's an individually metered project. The Victoria site will have a picnic area, two fenced tot lots, an outdoor barbecue and recreation area. In addition there will be an approximately 3,000 square-foot community building which will have a computer learning center. The computer learning center will have nine computer work stations, a printer and will have Internet access.

(Mr. Wallace exited the meeting room.)

These are the rents for the project. There are rents at 35 percent SMI, 40 percent SMI, 50 percent AMI, 60 percent AMI. The 80 percent rents are not really restricted, they are market rents. They are going to be underwritten at 10 percent below market rents. These market rents shown here are the market rents from the market study that we just got about a week ago. As you can see, these rents are 10 percent below market. There are only 26 units at the market level in this project, the rest of them are all 60 percent and below.

The occupancy restrictions: The most restrictive is the HOME restriction. There will be 18 units at 30 percent AMI, 25 units at 40 percent AMI and 10 units at 50 percent AMI. The HCD units, which are the rents that are shown on the Project Summary page, there are 18 at 35 percent SMI, 25 at 40 percent SMI, 10 at 50 percent AMI and 11 at 60 percent

AMI. I just wanted to point out that even though there are some units at 30 percent AMI, the rents in the Project Summary are at 35 percent SMI and SMI is much lower than AMI. I just wanted to mention that.

MR. WARREN: On your materials there is a slight error. You will notice on the unit mix chart it says AMI. As Tina indicated, the 35 and 40 percent rent numbers should be SMI or state median income.

One final underwriting note: If you combine the primary debt, the $9 million loan, with the bridge loan, the two combined basically exceed 100 percent loan-to-value. Normal Agency guidelines call for a letter of credit to cover approximately 85 to 90 percent or 10 to 15 percent of the overage. This will be an issue that the Agency will address two years from now when the bridge loan actually goes on so valuations could change. But I wanted to apprise the Board that this is an LTV issue that we deal with on a regular basis when we make large bridge loans like these. But we sill be revisiting this issue in two years.

The sponsor on the property is Eden Housing. Eden and CHFA have a long history of very successful projects. They operate, manage, provide services, and we think they are a very good partner for this particular project. So with that I would like to recommend approval and be happy to answer any other questions besides environmental.

MS. HAWKINS: Yes, Mr. Czuker.

MR. CZUKER: An underwriting question. I'm supportive of the project. I'm questioning, though, how you have the market rate units at seven percent vacancy, which I understand there's really only a small percentage of the project which you are underwriting at 80 percent of median income, but the majority of the project, which is the affordable components, you are underwriting at three percent. Three percent vacancy just seems like a very aggressive low vacancy rate, even for an affordable housing below-market rent structure. With just normal attrition collection, that three percent can get eaten up in normal operating expenses.

MR. WARREN: I appreciate that. I think, Mr. Czuker, what we try to do is for projects with HCD monies and have the very low 35, 40, and in this case, 50 percent rents, in the market that this is in we felt that three percent was an appropriate vacancy rate and compensate that with the market rate. So it is an aggressive piece of underwriting but we think it is appropriate. It allows us to leverage more dollars for the project. But we feel given the market, that that is an acceptable aggressive risk for this particular one. But it is based upon the large number of projects that are 50 percent or below. That would not be the case on a straight 50 or 60 percent deal.

MR. CZUKER: Once again can you elaborate on how you are dealing with the bridge loan retiring so that we do not have such a large exposure between the permanent mortgage and the bridge loan?

MR. WARREN: Certainly. Bridge loans are three years maximum. There is, basically, a one-third payment per year to qualify for the 50 percent test. So the LTV issue that exists, for example, would exist for most likely the first year when both loans are outstanding for the 12-month period. After the first year payment is made, then the LTV issue falls back within our 85/90 percent normal guidelines. And we have done letter of credit situations in the past in which the letter of credit, upon annual renewal, steps down in its coverage based upon the payment of the bridge loan debt service. Does that answer your question, Mr. Czuker?

MR. CZUKER: I know in the past you are saying you handled it in those ways. Are you proposing to handle it in those ways here as well?

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

MR. WARREN: Yes, we are. We will revalue the property, though, in two years. We will try to be conservative and see if we still have an LTV issue. If we still do, we will handle it in the same fashion, with a letter of credit to cover the overage.

MR. CZUKER: Thank you.

MS. HAWKINS: Yes, unless --

CHAIRMAN WALLACE: Further questions? Bob.

MR. KLEIN: In terms of the bridge loan, which I understand has to be tax-exempt in order to get to our 50 percent test, is there any way that we can seek that allocation in a form that once that short-term bridge loan is repaid, we haven't lost that tax-exempt authority? We can keep it outstanding for some type of a revolving pool. Can we make --

MR. CZUKER: Recycle it?

MR. KLEIN: When we make the request for the allocation, can we make it based upon a broader specification of a pool of projects or where we may need to utilize that tax-exempt authority more efficiently by just using it for three years?

MR. WARREN: To recycle it? Yes. This is where I get to put Mr. Carlson on the spot. I believe we have addressed this issue, and if not, I am going to apologize to Ken right now. But I believe we have talked about it.

MR. CARLSON: Thank you. It is a pleasure to come up and talk. We spent some time with Orrick, Herrington on this issue and thought, at first, it would be possible to do this. But it turns out that in the tax credit rules and regulations it says that the bonds have to be retired once the loan is retired. It turns out it is not so much in the bond laws as it is in the tax credit laws. If the loan that is making a project eligible for the tax credits is retired, there is no way to reuse that for another project. It is unfortunate.

MR. KLEIN: Perhaps in the fall when we look at the Article 34 issue, before that session we could have some discussion. There might be some alternative ways to keep that loan outstanding.

MR. CARLSON: That would be wonderful if it were possible.

MR. KLEIN: I greatly appreciate your foresight in trying to find a solution to a tough problem.

CHAIRMAN WALLACE: Okay. Where are we on your presentation?

MR. WARREN: We are done, Mr. Chairman, and like to recommend approval.

CHAIRMAN WALLACE: Okay. Hearing that, and we have had a few questions, are there more, either from the Board or the audience? The Chair will entertain a motion.

MS. BORNSTEIN: So moved.

MR. KLEIN: Second.

CHAIRMAN WALLACE: Julie and Bob. *Any* questions on the motion of approval from either the Board or the audience? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Linn.

MR. WARREN: Yes, Mr. Chairman.

CHAIRMAN WALLACE: This motion obviously implicitly includes the completion of due diligence on --

MR. WARREN: Yes, it does.

CHAIRMAN WALLACE: -- particularly the environmental issues prior to closing escrow.

(Mr. Klein exited the meeting room.)

MR. WARREN: We think we have done a very diligent job to date, Mr. Chairman, but there are some nuances and other issues that need to be addressed and we intend to do so before closing.

CHAIRMAN WALLACE: And you heard some of those in the Board discussion.

MR. WARREN: Yes, I did, sir.

CHAIRMAN WALLACE: I know that's your intent. Aye.

MS. OJIMA: Thank you, Mr. Chairman. Resolution 02-15 has been approved.

CHAIRMAN WALLACE: Resolution 02-15 is hereby approved. Thank you, Tina. Thank you, Linn. Now we go to our next project. Yes, Ed.

MR. CZUKER: How many voting members do you need for a quorum?

CHAIRMAN WALLACE: Six.

MR. CZUKER: And with --

CHAIRMAN WALLACE: One, two, three, four, five, six, seven. Carrie is just getting breakfast. We are still okay. Thank you, Ed.

MR. CZUKER: Sure.

CHAIRMAN WALLACE: Okay. Kathy or Linn? Linn, you kick this off. We have got a full force to back you up in your presentation.

RESOLUTION 02-16

MR. WARREN: I need all the help I can possibly get, Mr. Chairman. Our next project, Fremont Oak Gardens, is a special needs project. It is 51 units of new construction targeted for deaf seniors in the East and South Bay. The numbers are fairly straightforward. A permanent loan for 30 years at 3 percent, $2.7 million, and a lender loan of $6.4 million at 3 percent, also tax-exempt.

If you look at the Sources and Uses this is very interesting. On page 350 of your Project Summary of materials you will see not only that Fremont is involved in this project, but there is a broad amount of financial support from this entire South Bay and East Bay region. The reason for this is there is a very wide and strong support for this particular project, definitely an under-served market.

As I think I indicated, the project has had a very long development period of time and it comes to you today, I think after what, eight years of processing, Kathy, from when it first came to us? There are a lot of components to this and I am going to, basically, be quiet and let those that know about this speak to that. So with that I am going to let Kathy run through the slides. With that we are going to ask that Satellite Housing, who is the developer of the project, a nonprofit we know very well, speak to us. Residents of the project from the deaf senior community would also like to address the Board, and we have an interpreter here to help us with that. So with that, Kathy, why don't you go ahead and proceed.

MS. WEREMIUK: This is the site in Fremont.

CHAIRMAN WALLACE: Kathy, pull the mike.

MS. WEREMIUK: This is the site in Fremont. It is in the Irvington district of Fremont. About a half-mile in this direction is the corner of Washington and Fremont, which is a commercial area. The access street is Driscoll and that runs between Washington and Paseo Padre Parkway. The site itself is two acres, it is a flat-shaped site. It is a little bit different than this drawing. Actually, we are cutting off -- this little corner here is not in the site. The site belonged previously to the Episcopal Church. They are going to be rebuilding the church that they have here at the same time and they are changing their existing access drive. They will share this with the Fremont Oaks project, and the project will revolve around this oak tree which will be at the entrance to the site.

This overhead shows us this large swath of land is a railway right-of-way. It currently has two tracks which operate freight trains. It is also going to be a new BART line and there is going to be a BART station that is going to be located about a half-mile from the project over here. That is the major environmental issue in the site.

There are both noise and vibration issues. The noise standards are important because they are geared to the hearing partners of the deaf residents as well as hearing employees or service people that come on the site. What will happen is in this area of the site there will be some buffers. There will be a sound wall, there will be parking to deal with the noise issues. The vibration issues are serious issues for both the hearing and non-hearing-impaired, and what we will have is a thickened pad underneath the housing to diminish the vibration. The mitigation measures on that are not fully developed because there is some consultation that is still going on between the vibration experts and the soil engineers. Once those standards have been finalized they will go into the working drawings.

This is a closer view of the site itself. This is another church. This is an existing housing development. This parcel here is going to be new single-family housing, and this entire area is existing single-family housing. It is well maintained, built in the 1970's and desirable, very expensive. This is the site plan. I am going to go through this quickly and come back to it because we are going to have people from Satellite Housing talk a little more about the project itself. But here you can see the sound buffer between the BART station and the site. These are the buildings with sight lines across the site so people can see and communicate by sight.

The reason the project is in the City of Fremont is the number of services that are in Fremont. Kaiser Medical and the other hospital have deaf interpreter programs, there are deaf pharmacists, there are deaf doctors, they enable the residents to communicate on medical issues. The California School for the Deaf was set up in 1980 and the facilities really came to Fremont after that school was set up. There is a very large deaf population in the city. This is the Fremont senior center which is in the park that was shown on the first slide. It is about two miles from the project.

What we have been seeing is that the market has gotten a bit softer so we have used a very conservative rent level at $900 per unit for market. Forty percent of the rents are at 60, they are about 10 percent below market. The project will not be regulated to 30 and 40 percent rents but that is voluntary on the part of the sponsor. They are attempting to mirror the needs of the deaf population, some of whom are very low income, and some of whom have a little more money. They want to make sure that they can market the project to the deaf and fill it with deaf residents. The Agency itself will be regulating 40 percent of the units at 50 percent of median income and the City of Fremont and the County of Alameda will be regulating 48 percent of the units at 50 percent of median. The rest will be regulated by the Tax Credit Allocation Committee at 60. Shall I --

MR. WARREN: I'll make one quick comment on the appraisal. As the materials indicate, the appraisal is not in yet but we estimated approximately $80,000 per unit in value for this part of Fremont, which we think is conservative. That gave us an estimated LTV of 66 percent, which we think is well within tolerances. The appraisal is about two weeks away but we are not overly concerned about that. So yes, let's go ahead.

MS. WEREMIUK: We'll introduce Joan Davis and Ryan Chao from Satellite Housing.

CHAIRMAN WALLACE: Say that again? Joan Davis.

MS. WEREMIUK: Joan Davis and Ryan Chao.

CHAIRMAN WALLACE: Welcome, Joan and Ryan.

MS. DAVIS: Thank you so much for this opportunity to be here. I am Joan Davis, president and CEO of Satellite Senior Homes, and our managing agent, which is Satellite Housing, Inc. I would like to introduce Ryan Chao, who is our director of housing development, and Buddy Singleton, who is the president of the deaf senior retirement board.

Satellite Housing is in its thirty-sixth year of developing affordable housing with a primary focus on low income elderly. We are approaching this year a very aggressive opportunity to expand our mission and focus further on senior housing, branching off into some assisted living and perhaps some family. But that is in our future planning. We are very excited about this project today, and

I would ask that Ryan Chao take you through the slides and talk about the technical aspects. But first we will have Buddy Singleton make a presentation on behalf of that aspect of our partnership.

MR. SINGLETON (THROUGH AN INTERPRETER): Hello, everyone, my name is Buddy Singleton. We are truly very concerned about the deaf seniors in the Bay Area. Many of them are truly isolated in the retirement facilities that they are in. They are very lonesome, they are in an environment with hearing retired persons. Isolation is becoming vastly to deterioration (sic). In their golden years, there are none for them, so we decided to implement this program and get together. And there is nothing in California that exists. Fremont will be the first of its kind so we are truly motivated to get this going.

The reason for building is that all of the needs of deaf persons, such as doorbell lights, will be implemented. We will know that somebody is at the door. That is so crucial. Fire alarms will be designed with lights in place. Other places don't have that. We have to constantly struggle, ask them to implement those. It costs them even more. We will have already had this built into our center.

The large deaf population is there in the Bay Area, especially in the City of Fremont. It is a large deaf community. And we are becoming older and we need a place to go. A place where we can enjoy each other's company and have a social environment. It is long overdue. We already have services that are provided and in place for us and Ryan can emphasize that a little bit more. That pretty much covers my part of the presentation. Are there any questions?

CHAIRMAN WALLACE: Don't go away. Don't go away.

MR. SINGLETON (THROUGH AN INTERPRETER): Okay.

MR. CHAO: Thank you, Buddy. I'm going to talk a little bit about how Satellite and the Bay Area Coalition of Deaf Seniors have worked together to design a project that addresses all those special needs that Buddy just covered. Fremont Oaks Gardens will serve the deaf community in two ways. The first is in the design of the building, the second is in the services that will be provided at the building. The complex was designed by Van Meter Williams Pollack, San Francisco-based architects, in collaboration with Martinez Amador, who employs a deaf architect in Los Angeles. The design process was an extensive process that involved a special committee of deaf senior citizens and six different design reviews of the project.

Now I will go over a few of the ways that the project is specifically oriented for deaf seniors. As Kathy mentioned, it is a 51-unit facility on two acres. It is basically three buildings, one large exterior building which surrounds two smaller residential buildings, which then make up three separate courtyards. The units are designed to emphasize visual connections so that if an individual is standing in the living room of the unit, they are able to see into the bathroom, into the bedroom and into the kitchen as well. And that emphasis on visual connections extends to views for each unit into the courtyard space, as well as for most of them, into the exterior space.

The other main aspect of the project is a large community space which will have a large community room, as well as a smaller community room and offices for service providers there on site. In addition to the large-scale designs, there are various smaller amenities specifically oriented for deaf seniors, and ones that were really informed by the deaf community. For example, the two elevators in the site have glass facings so that if a deaf senior is ever stuck in an elevator they can sign and communicate through the window.

Another aspect of the project oriented to deaf seniors are various forms of technology throughout the building, and Buddy covered this to some degree. Each unit will be wired with a TTY connection, which is the deaf teletype telephone. In addition, there will be flashing strobes in each unit which will signal for emergencies, for doorbells, telephone, etcetera. Finally, there will be a computer lab located on site where classes will be administered to the residents of the project. Deaf individuals in general tend to be more reliant on technology, and the use of the Internet and other new forms of technology are real strong tools for communicating.

The second aspect of the project is a comprehensive service plan oriented specifically for the residents of the project. Staffing the project will be a full-time property manager, who will live on site in a two-bedroom unit. The property manager will be fluent in American Sign Language. That has been another problem with a lot of existing facilities, that deaf seniors not only cannot communicate, they also often cannot access services since they cannot communicate with management as well.

In addition, there will be a service coordinator on site, which is a partnership between our organization, as well as the Deaf Counseling Advocacy and Referral Agency and the City of Fremont. And that service coordinator will coordinate over 20 different service partnerships we have outlined for the project.

Kathy showed some of them in the slides; I am just going to highlight a couple of them. The first one is a partnership with the Deaf Counseling Advocacy and Referral Agency, the Bay Area's premier deaf service agency. They will provide counseling, legal services and various forms of education. The California School for the Deaf will provide workshops and seminars for the residents, as well as a grandparenting program with their students. They will also provide training at the computer lab there on site.

Neighboring Ohlone College will use the site as an opportunity to promote their interpreter training program. Kaiser and Washington Hospitals will have various health education and screening programs, and neighboring Longs Pharmacy, which is just down the street, is the only pharmacy that we know of in the country that has a deaf pharmacist on site who will specifically serve the residents of Fremont Oak Gardens. So I hope we have been able to show that the design, the staffing and the services of the project will be oriented specifically for this special needs project in a project that has not yet been developed in Northern California. Thank you for your consideration of the project.

MS. WEREMIUK: Ryan, do you want to take them through the rest of the project slides?

MR. CHAO: Okay. And I'll take you through the slides, too. So this is the plan, community space, and then the rest being residential units. Parking is in the back of the facility. The entry to the facility comes down from Driscoll Road to the circular entry. There will be shared parking with our neighboring church for visitors. Residents will continue forward into their own parking space, which is at a one-to-one ratio. This is a view of one of the courtyards from the rear of the facility looking towards the community space. This is an aerial showing the community center, as well as a portion of some of the residential units. A prospective of the front of the property, the community room, circular entry and some of the residential units.

(Tape 1 was changed to tape 2.)

MS. DAVIS: Yes. And we also have a model here that is available for your review. I failed to introduce some other participants: Buddy's wife, Bernice Singleton, is with us, as well as Bernadette Attleweed who is the secretary of the board.

CHAIRMAN WALLACE: Thank you for your fine presentation. I believe I'm correct in this, this is the largest of what we call a ***special needs project***. The most number of units. If not, it is very close to it. And I think it is significant that it's the type of project, for the deaf, that we have a large one because I also would observe that I -- It appears from our write-up there are almost no facilities like this on the west coast so you are kind of pioneering, and very few in the country. I would suspect, and maybe Buddy can answer this, that you either have a pretty long waiting list and that you are probably going to draw from a very broad area.

MR. SINGLETON (THROUGH AN INTERPRETER): Yes, that's correct. And we don't want to move to another state. We would like to be able to stay in California so we need to have a place here.

CHAIRMAN WALLACE: Well, it's a wonderful concept and very impressive what has gone on. I for one, I think the Board will -- we love special needs projects. And to have one of this type and with this many units and with the obvious support of all the surrounding communities -- Not just Fremont but Alameda County, Hayward, San Jose --

MR. CZUKER: Pleasanton.

CHAIRMAN WALLACE: -- and Pleasanton, is very impressive. In fact, I think we have either grants or loans from more sources , another first, nine of them, it appears, which is probably -- We are used to this sort of thing but it is probably the greatest number of contributory agencies for financing that I recall in about seven or eight years on this Board. So that is equally indicative of what widespread probable need and what widespread support there is for the project. It is very impressive, the numbers seem to work, and I suspect this Board is going to want to happily approve this shortly. Having said that, are there any more questions or observations from the Board? Jeanne.

MS. PETERSON: I would like to echo what you have said, Mr. Chairman. I think all of the Board Members are very committed to this Agency doing special needs housing. I know that one of my mandates from the Treasurer when I became his representative sitting on the Board was to try to assure that CHFA could do as much special needs housing as possible. We also know that it is the most difficult kind of housing to do, to put together, as you said, looking at all the sources that are necessary. It is also pretty exciting that this is the first facility of its kind in our region of the country. I would just like to echo you in commending everybody involved in it and I would like to move the resolution.

MS. HAWKINS: I would like to second.

CHAIRMAN WALLACE: We have a motion by Peterson and a second by Hawkins. To approve the motion, however, I see some further discussion and so, Julie.

MS. BORNSTEIN: Thank you, Mr. Chairman. I, too, would like to echo support in speaking on behalf of my boss, the Governor. The Administration is sponsoring this year AB 2787 authored by Dion Aroner, which would allow our department to pull together all relative stakeholders and come up with some universal design standards so that buildings, particularly residential buildings in California, could be designed so those with physical challenges are not institutionalized simply because their housing does not accommodate them.

Seeing a project of this nature and, of course, being supported by CHFA, is exactly the kind of thing we were talking about because we **know** that design modifications made at the time of construction are the most economically efficient way to design residences to accommodate all Californians. **So** we are particularly delighted to support this project.

But on another level, we are also delighted to support it because six local jurisdictions have all gotten together on a regional basis to help support this particular special needs project. And that is also housing activity that we like to encourage. So that when it comes to particular special needs, it does not make sense to have a small special needs project of every type of special need in every jurisdiction. It makes much more sense for localities to get together so they can support the economies of scale that come with a project like this. We are delighted to support this project for a whole number of reasons.

CHAIRMAN WALLACE: Mr. Czuker.

MR. CZUKER: I echo everything that has been said already; I agree with all of the comments thus far. I would like to add that because of the participation of the multi-jurisdictional grants and subsidies and the introduction of the tax credits, the ultimate loan from CHFA as a mortgage lender will probably have one of the highest debt coverage ratios and one of the lowest loan to costs of any of our projects at around 24 percent loan to cost. So I support the project and wholeheartedly commend the sponsors for bringing it forward before us. Thank you.

CHAIRMAN WALLACE: Any other members of the Board? Carrie.

MS. OCHOA: Go ahead.

CHAIRMAN WALLACE: You two pick between yourselves.

MS. HAWKINS: Thank you. I, too, echo those comments and I think this is a great model. Buddy, you are a great representative to present such a wonderful project.

MR. SINGLETON (THROUGH AN INTERPRETER): Thank you.

MS. OCHOA: Ms. Davis, I was wondering, is there any consideration -- Since this is senior housing, has there been any consideration given to mobility impairment should one of the residents have to use a wheelchair or their partner have to use a wheelchair? I would hate for them to have to leave this very supportive community. So has any consideration been given as far as mobility impairment to some of these units?

MS. DAVIS: We have paid attention to all of the ADA requirements and certainly would incorporate that. Is there any particular design aspect that we have incorporated?

MR. CHAO: We have looked at that throughout the process and actually re-examined it after working with CHFA recently and made the decision that three of the units will be fully ADA accessible.

MS. OCHOA: Great.

MR. CHAO: With fully ADA-compliant bathrooms.

CHAIRMAN WALLACE: Any other questions from the Board or the audience? There is a motion before us, any questions on the motion? Hearing and seeing none, secretary, call the roll, please.

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

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-16 has been approved.

CHAIRMAN WALLACE: Resolution 02-16 is hereby approved. And I want to particularly thank Buddy, and Joan, you and Ryan, and all the rest of you that came here to see us. This is a happy day for you, but it is a very happy day for us, too. And I am not going to suggest after eight years that you go out and do another one right away, but we would like to see more of this sort of thing. So don't forget we are here and we want to show you the money.

MS. DAVIS: Thank you so much for your support and your vote of confidence in us today.

CHAIRMAN WALLACE: Congratulations to everybody. Buddy, you did a great job.

MR. SINGLETON (THROUGH AN INTERPRETER): You will be proud of our project, you really will.

CHAIRMAN WALLACE: Well done. Thank you very much. Okay. I guess, Linn, that completes projects and so it is now to Ken Carlson after two meetings.

MS. PARKER: Mr. Chairman, while Ken is coming forward I just want to make a couple of comments. Ken and I will be leaving on Monday to go back to New York for our annual meeting with the bankers and the rating agencies to take the Business Plan that you passed last month. We feel, again, we have another great story to tell Wall Street about what we are proposing to do and accomplish next year. We will certainly be bringing back information from those meetings, their reviews and considerations of our in-depth cash flows that are done, and share that with the Board in a prospective situation.

I also would be remiss if I did not share with you that your one lone voting colleague that is not here today, Mr. Shine, is not here because he is about to be, today, a grandfather for the eleventh time. So I did want you all to know that he had a very good excuse.

CHAIRMAN WALLACE: I think that's a good reason not to be here. He's probably not going to sleep tonight. May I say to Buddy and our friends from Fremont, they do not have to stay. We are, obviously, welcome to have you, but please feel free to get on your way.

THE INTERPRETER: Thank you.

CHAIRMAN WALLACE: Thank you for being with us. Goodbye. Okay, Ken, your turn.

RESOLUTION 02-17

MR. CARLSON: Thank you, Mr. Chairman. Item 5, which starts on page 362 of your materials: A proposal to make it possible for us to finance down payment assistance with CHFA bonds, something we have not done before. There is a resolution, 02-17, which would amend the two financing resolutions which were passed in January, -01 and -02. Then as you may have noticed, there is a many-page legal document there. It is a form of a general indenture and series indenture that your Board needs to approve.

The purpose of this, and the reason we have a new indenture, is that there are non-traditional loan products that we have traditionally financed directly with CHFA reserves that were eligible to be used for this purpose. We just run down, down payment assistance is one of these non-traditional loan products. As we all know, these are low interest rate loans, they are at simple interest, there is no compounding, all the payments are deferred, they are subordinate to the first mortgage and they are, basically, an uninsured risk.

This is not the sort of loans that we generally sold bonds for, so this will be something new that we are trying to do. What I have wanted to do over the years was find a way where we could better leverage our resources, especially now when interest rates are so low, to borrow money to provide the liquidity to make these loans rather than be funding them directly with our reserves.

The way we are going to be able to do this is by extending our Aa3/AA- general obligation to support the bonds that would be sold. We already have $832 million worth of CHFA loans that are supported by RGO without other credit enhancement and investors are perfectly happy to buy those. They should be perfectly happy to buy these, in spite of the fact that the assets that are being financed are not in themselves credit worthy. This is why we have general obligation ratings, this is one of the great things we can do because of our financial resources.

This is just a little chart here to show you that certainly some of the payments on the bonds will come from repayments of the mortgages. But other portions of the payment - every six months we have to make bond payments - the portion that is not available from revenues and assets will be made up from net revenues of the Agency from other-sources. Then it will all come together, go to the bond trustee and then pay the bond holders. We think this is going to be a much more efficient way to finance some of the things that we do. This new indenture will provide -- Basically, we will have a form for a new indenture that we can use for a variety of different purposes and this is the first purpose that we would intend to use it for.

The other thing that is mentioned in the text of my report is that we have been discussing with the Southern California Home Financing Authority the possibility of working with them. We would probably use this form of indenture to enter into an agreement with them. However, the latest feedback we have gotten from them after they have had some board meetings is that they are still looking for ways to remain financially independent, so we may not end up doing a partnership that we have talked about. With that I would like to ask you to approve Resolution **02-17** approving the form of indenture. Thank you.

CHAIRMAN WALLACE: Ken, this is a third-type continuing resolution? Do we have three now? We have one for single family.

MR. CARLSON: Right. The 02-01 is the -- Let me go back up here and just show you.

CHAIRMAN WALLACE: We have one for single family.

MR. CARLSON: 02-01 is single family, 02-02 is multifamily.

CHAIRMAN WALLACE: Correct. This is a third in that vernacular?

MR. CARLSON: This is just an amendment to those two resolutions. Those two resolutions, as I recall, list all the prior forms of indentures that were approved by your Board. In fact, we are adding something to the list.

CHAIRMAN WALLACE: That's the context that I wanted clear.

MR. CARLSON: Yes, sorry.

CHAIRMAN WALLACE: So we already do this but there's some additions to it for unique-type down payment assistance, etcetera.

MR. CARLSON: Right. All of our other indentures, of course, have required that loans be of a certain type. For instance, the single family indenture, when we use it, requires insured first mortgages. Well, that is obviously not what we have here.

CHAIRMAN WALLACE: Correct. So it really is a little tweaking of our continuing resolutions. Having said that, we have got a quorum at the back of the room. But I want to make sure that as they approach the bench that we can still count. Having seen that they are currently fortified can I have a motion?

MR. CZUKER: So moved.

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: Okay, a motion by Czuker and a second by Carrie Hawkins on this. Is there any further discussion on the motion? Yes.

MS. PETERSON: Mr. Chairman, I would just like to say that I did have some questions and I wanted to publicly thank Mr. Carlson for walking me through them. It seems as though in the first instance what it really will enable us to do is to provide the level of down payment assistance that is projected in the Business Plan over the next five years together with those other very worthwhile things that the Housing Assistance Trust Fund does and is anticipating doing over the course of the Business Plan. Since I believe we all are very supportive of those things which aren't as secure as our loans are, I am certainly in favor of this.

I also did have a question about the Southern California Home Financing Authority proposed transaction, but I am happy to say that I both understand it and also now understand what is being said. In fact, this is really just authorizing that to happen and it may, in fact, not happen.

CHAIRMAN WALLACE: *Any* other questions?

MS. HAWKINS: Yes, Mr. Chairman, I have a question.

CHAIRMAN WALLACE: Yes.

MS. HAWKINS: Wouldn't there have been an advantage for them if we had provided the enhancement of the credit enhancement to it? Wouldn't it have been better terms or better rates? They don't see that as an adequate advantage?

MR. CARLSON: Well, of course, I haven't been to their board meetings, I don't know exactly what their thoughts are. The advantage of working with us is that -- These are very difficult times for mortgage revenue bond programs because short-term interest rates are so low. We are uniquely able to take advantage of short-term interest rates by selling variable rate bonds; they don't have the financial capacity to do that. So they suffer greatly from not being able to invest the proceeds at a high enough rate to carry their bond rates. So they are looking at ways to deal with that, and we can handle that much more readily than they can.

MS. HAWKINS: Do we/they have other jurisdictions where we would enter in these relationships other than the Southern California counties?

MR. CARLSON: We did a joint program with a joint powers authority back in 1997. You may remember the

California Valleys Authority that was sort of a unique entity that was put together just to obtain volume cap for private activity bonds when they were unrelated jurisdictions that coincidently had a common financial advisor. We stand ready if local agencies approach us, if not the Southern California Home Financing Authority perhaps another one. We stand ready to deal with these kinds of requests. There has been authority in state law for these kinds of financial partnerships for years and years. It's just the 1997 deal was the first time it had ever been used. But we stand ready ourselves to participate if we are requested.

MS. PARKER: Ms. Hawkins, let me add to Ken's very diplomatic comments, particularly for some of our new Board Members who may not have a sense about how carefully Ken has walked through this. I think the bottom line is the tension that is between local issuers and CHFA as a state issuer. I think the localities needed to really think about whether they wanted to come to us to partner and, in that sense, lose their independence on their allocation, and I think that's why their board is looking at this.

I think at the end of the day that I hope that their board will make a decision, certainly as some other Localities have when they have come and partnered with us, that the bond cap is such a valued commodity that it should not be lost to the citizens of California in totality, no matter how it is issued. So we will certainly offer them our cooperation. But I think that that's what their board has to deal with, it's just whether or not they want to partner with the state, as opposed to be able to have their independence as a local issuer.

CHAIRMAN WALLACE: I am going to move the agenda so let's -- Any further questions from the Board or the audience on the motion before us? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-17 has been approved.

CHAIRMAN WALLACE: Resolution 02-17 is hereby approved. Ken, did you want to do more?

MR. CARLSON: I think there is another item before me.

CHAIRMAN WALLACE: There is? Okay, then, Dawn.

MS. PARKER: Mr. Chairman --

CHAIRMAN WALLACE: I know Dawn's on. I just figured we would keep you rolling right through it. I am worrying about time again and we always cut poor Ken out of a full presentation. Dawn, how long will yours take?

MS. HULBERT: Mine won't take very long, maybe ten minutes, if that.

CHAIRMAN WALLACE: Ken, how much more have you got?

MR. CARLSON: I have got ten minutes, maybe five minutes. I can do it in five minutes.

CHAIRMAN WALLACE: We need your adult education big time. Not the new people, but some of us old guard. But having said that, go ahead, Dawn, let's take it in order. And my pleasure to acknowledge the presence of Jane Broadway. First meeting ever for you, Jane?

MS. BROADWAY (FROM THE AUDIENCE): That's right.

CHAIRMAN WALLACE: Man, that is saying something because Jane has been around for a few months now. And Terri wouldn't let her come.

MS. PARKER: I believe it was her prior Executive Directors that didn't allow that but I have changed the --

CHAIRMAN WALLACE: Precedent has been broken once again.

MS. PETERSON: You let her travel, right?

CHAIRMAN WALLACE: At any rate, Jane, welcome.

MS. BROADWAY (FROM THE AUDIENCE): Thank you.

CHAIRMAN WALLACE: Okay, Dawn.

MARKETING PLAN UPDATE

MS. HULBERT: Okay. Good morning, everybody, good to be here. Per the request from the last Board Meeting, I have got kind of an update for you on where we are with CHFA's Marketing Plan.

As a little bit of history, since I started with the Agency last September, we have undertaken a number of marketing efforts. We had several dozen articles published in various media forms; you have been getting the copies of those in your Board packets. We have done a number of TV and radio interviews and appearances, everything from four-part sweep specials to morning radio programs touting the programs that we have. By the end of this month, we will have participated in more than 20 trade shows and public outreach efforts and distributed thousands of pieces of CHFA literature to various different groups.

While those numbers are quite high and it sounds good, what we have been doing so far, basically, is scatter-shot tactics. Not utilizing our efforts as effectively and as efficiently as can be done. So as Terri has mentioned at several past Board Meetings, the Agency has been undertaking an effort to put together a communications and branding campaign for us.

To that end, we have hired the assistance of a communications firm, Porter Novelli Sacramento, and they have been helping us with that. So it is basically working with them. We have set out the objective for a communications plan to increase the awareness and knowledge of CHFA with stakeholders and the general public through the development and implementation of an overall communications campaign.

The goals that we have set to meet that objective are four: We want to do the creation of a brand identity for CHFA; we want to do education of stakeholders and the public; we want to develop messages in media platforms consistent with CHFA's interests; and we want to position CHFA as a leader in the housing industry, where people turn to us for information and input.

The strategies that we want to undertake to meet those goals: First off, client/consumer research. We are in the midst of that right now, and I will let you know what our findings have found so far in just a minute. We are doing development of key messages for our three product arms that are going to resonate with our stakeholders and with our target audiences for the home ownership programs, the multifamily programs and the mortgage insurance programs.

We are working on the creation of a corporate tab line and we are reevaluating CHFA's logo. Time perhaps for a facelift and a little updating for it, the existing one has been around for a while. We are also doing the design and development of an Agency-look overall graphic tie-in so everything has a look, a feel. When you see it you know it's CHFA. We are doing an audit and redesign of the Agency web site and all of our collateral materials. We are in the midst of doing the creation of a strategic marketing plan.

As I mentioned, we started with the consumer research. We did focus groups in Los Angeles, Sacramento and Fresno in late April and early May and have several key findings from that. First off, and this wasn't of much surprise to us, almost none of the people that we talked to were aware of CHFA. And let me say we did the research with two distinct groups. We did the research with recent first-time home buyers who have bought their first home within the last year and with potential first-time home buyers who say that they plan to buy their first home within the next year.

All of the people that we talked to fit within CHFA's income limits. Of those who had already purchased their home and of those who are thinking, they have given little or no thought to financing before purchasing their home. Of those who were aware of various different programs that could help them, most were aware of FHA, VA, Fannie, but most of them thought that they would not be eligible for first-time home buyer programs. Of the couple that were aware of CHFA's programs, they said for one reason or another their lenders steered them away from our programs.

Once we outlined the programs that we had and explained to the people what we did, for those who hadn't heard from us, we got very positive reactions. Everybody thought that that was a great value. They were really happy to know that there were programs out there to help them. For those that had already purchased their homes, they said that they wished they had known about it earlier because they would have liked to have utilized it. For those who are purchasing their homes, they said they will definitely look into it and try to use those. There was also a very positive reaction to CHFA's state affiliation. They thought that that brought a great deal of credibility and stability to the programs and they thought that that was a very valuable feature to our program, to us.

Our income and price limits, we got varied reactions. For example, when we put out the income and price limits, especially the price limits in Los Angeles, unprovoked, before we even asked the question, most of the people in the group said, oh my goodness, those income limits won't help us here, the housing is just far too expensive.

When we explained that condos could fall into that too they said, well, yeah, then okay, we do have some effect. In Fresno, obviously, the people thought the income limits there were quite reasonable. Here in Sacramento, when we asked people what they thought about the income limits, they thought that they were within the realm of reasonability as well.

Additional key findings that we had: The priorities that the people have when they are buying their first home, whether they had just recently bought it or whether they were looking for it, their number one priority was finding the right home in the right location. Before they gave any thought to anything else they wanted to see the house, make sure it suited them and that it was in an area that they wanted to be in. Then they thought of funds for the down payment. That was one of the challenges they faced and one of the first things that they looked for as well as establishing good credit to be able to get the funding and the loans.

What we thought was tremendously interesting was what was of secondary importance to the people, which were interest rates. Where we have been walking around and were plugging the fact that we have got the below-market interest rates, and we all know that that is a tremendous feature to what we have to offer, the consumers were not quite so sure about that. And we got what we dubbed the 15-minute example. What we heard from the recent first-time home buyers was that if it was going to take them 15 minutes more in the closing process of buying their house, they did not care if we could give them an interest rate that was one percentage point lower. They would rather pay seven percent interest and save 15 minutes in the closing. Which I think I can say we would all find quite astounding. I think the reasoning behind that is that they are looking at it more from a monthly payment perspective. Well, it's only another 20, 30 or 40 dollars a month, I can afford that on a monthly basis. I don't think that they look at the long-term cumulative aspects to see what that actually cost them over the course of time. So I think one of the things we need to look at as we are putting together our marketing plan, is how we can get that cumulative effect out to people and show them what this really means for them.

Those are the key findings from our consumer research. Right now we are still in the midst of doing our stakeholder research. We are going to be finishing that up this week and getting our findings on that later next week. We are doing one-on-one interviews with a wide variety of stakeholders. We are talking to lenders, developers, nonprofits, builders, realtors, housing advocates, legislators, governmental agencies and CHFA staff. We are going to be doing approximately 40 one-on-one interviews with people throughout the state so that we have a good sense of what they have. Very, very preliminarily, since it is still underway. We haven't quite had time to finish it up and analyze it.

What we have found is our stakeholders are very willing to talk to us. They were very willing to set aside 15 minutes to talk with our representatives from Porter Novelli to answer questions about the Agency, about the role that the Agency plays, about our processes, the good things, the bad things, what they thought about their experiences with us.

In general, what we have got in so far are very positive comments regarding the individual staff members; that they are easy to work with, that they are willing to do whatever they need to do to make things come together; that they are very helpful in walking people through the process. What we found is that they say they find the processes themselves rather bureaucratic, laborious and somewhat inflexible. Which probably is part of being a state business. They love the people but the processes they have some issue with.

They would like to see CHFA engage in more local partnerships is what we are hearing so far. They find our state affiliation as an advantage. One of the questions that we were wondering internally is, would it behoove us to be more like an independent agency or more like a state agency? The people that we have talked to so far, preliminarily feel that it behooves us to be a state agency because, again, it lends the credibility, the stability that the state offers, but they would like to have a little more of the flexibility and independence that you have from private industry.

(Ms. Neal exited the meeting room.)

They also said that they like the fact that CHFA accepts the challenges the private sector will not. In many instances that is why they turn to us. And they think the ultimate role of the Agency is to get more people into housing. They say that is what we are doing, CHFA is synonymous with affordable housing, and that is what we should continue to do.

The next steps that we are looking at, as I mentioned: We will be finishing up with our stakeholder interviews this week, we will be getting our research back next week, and we will be working with Porter Novelli to put together recommendations based upon those research findings for how and exactly what we want to do in our strategic marketing plan. What are going to be the most efficient avenues for us, what are going to be the most effective use of our resources, who are the areas that we want to target?

Our feeling right now is that as far as, especially, the home ownership goes, we are looking very strongly at probably realtors, as focusing most of our marketing efforts and the conduits into that. But we are going to be looking at all of that over the next couple of weeks.

The tactics that we expect to include in our market plan include much more proactive media relations, more targeted outreach efforts to more specific audience groups, and the possibility of paid media. What we will also be doing over the next couple of months is updating the logo, updating all of our collateral material so that there is a uniform look so that all the information is user friendly, directly targeted towards the people that we are giving it to, to make the best use of as possible.

We are also updating our web site to make it a little more user friendly, perhaps a little more interactive, to give it more of what they call the stickiness factor. Right now our schedule has us scheduling the rollout of the new image, all of our collateral materials, in launch events that will be targeted towards our external audiences as well as internal audiences scheduled for August.

CHAIRMAN WALLACE: Dawn, that's terrific, exactly what I hoped. I am going to suggest we hold questions and let's see what you hear in August. We'll reschedule you for a meeting this fall sometime to see where you are suggesting we go. That's terrific.

MS. HULBERT: And the reason that we planned for the August rollout is because if we wait much longer than that, with it being an election year, with all of the media, news, everything revolving around it, we will get lost in the shuffle. So we want to get it out earlier rather than later because otherwise it's best to wait until after the election.

CHAIRMAN WALLACE: You and Terri schedule the right time for the next follow-up report. Thank you very much.

Okay, Ken, here we are again. The eleventh hour and I'm putting the squeeze on you.

MR. CARLSON: Escape?

MR. WARREN: I'll get that for you.

MR. CARLSON: Some of us are much more capable of cutting edge here than me.

CHAIRMAN WALLACE: Especially if it's Linn's machine, right?

OTHER BOARD MATTERS

MR. CARLSON: I have financing reports in your binder for recent bond issues as well as our normal report that I give on variable rate bonds and interest rate swaps. And I'll go through this quite quickly in the interest of time. We have been very busy in the last three weeks. Since the last Board Meeting we have actually done three different bond issues.

(Mr. Czuker exited the meeting room.)

This little table here just shows that for the new single family bond issue we did, that because interest rates have been falling, we have now lowered our interest rates by, I think, 75 basis points as far as providing for our mortgage rates, that we ended up having to reduce the taxable component now down to 35 percent of the issue. As interest rates fall we end up being able to do fewer taxable bonds.

This is the $200 million single family deal. This pie chart just shows the different components. But you can see here that more than 80 percent of the deal is variable rate bonds that are swapped to fixed, whether they are taxable or tax-exempt, and there is only, in this case, $26 million of fixed rate bonds in the transaction. This is just a similar kind of breakdown for the multifamily transaction here. We basically swapped out'-- We sold variable rate bonds for the entire thing, swapped out the long-term permanent loans, let the short-term loans float.

Moving on to the variable rate debt. This is the typical table that I show you, here showing we now have $3.5 billion of our debt in variable rate form. Of this, $2.5 billion is swapped to fixed rates. $238 million is tied or hedged fairly well with variable rate assets. But there is this $700 million or so that is not swapped or tied directly

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to variable rate assets. And this breaks down kind of this way as far as taxable, tax-exempt, and whether it is short- or long-average life. This is about nine percent of our debt and what this does is give us a hedge against the types of economic conditions that could make state housing agencies like ourselves be much less financially strong. And that is, when interest rates are this low or falling, as shown on the chart here, we lose so many loans. We have lost $1.2 billion of loans in the last 15 months with people paying them off. So we lose the annuity value of these loans. Also, in some cases, especially if we look back on what happened eight, nine, ten years ago in the same, similar kinds of conditions, we ended up with multifamily loan defaults. So the real estate values could fall too. We haven't seen that yet, really, here affecting us. But one larger issue for us today is how investment returns become so low. We have quite a bit of our money invested in the State Treasurer's Investment Pool which is now down to 2.75 or something like that. So by having variable rate debt on our books we are able to absorb the opportunity costs of not being able to invest our money at nearly this high a rate.

And the other thing that happens when interest rates are low: It is much harder for us to build assets just because it is harder for us to make a difference. If everybody can go out and get a seven percent 30 year loan, for us to make a difference, we have to be down into the fives and sixes and it is harder to really make a difference and it costs us more to make the same difference. If market rates are ten percent and we offer a nine percent loan, that's a smaller percentage increment than if rates are at seven and we have to offer six or something like that. This is the argument for why we should have some portion of our debt variable and not swapped out.

Let's just move on here. About the interest rate swaps: There's $2.5 billion of them. Most of them with the single-family program and now most of them are taxable bonds. I'll just briefly go over what an interest rate swap is. It is an agreement that we have entered into with a swap dealer as a counter-party. We have seven of these. We require them all to be at least AA rated.

In every case with our interest rate swaps we are issuing variable rate bonds, paying our variable rate bondholders in the lower box, paying them a variable rate of interest, then we go to our swap dealers and we agree to pay them a fixed rate. In return they give us a variable rate. The theory is that the variable rate that they pay us will cover our costs to pay our variable rate bondholders. Thus, we synthetically fixed the interest cost on our bonds. The reason to do this is, it is much more efficient than having us be in the long-term fixed rate bond market. And because of that efficiency, our cost of funds is much lower.

In the single family program, what we are able to do is quite a bit more lending because we can do a lot more taxable bonds and still hold the same cost of funds. We have seen deals where we have been able to do as much as 60 percent extra total size of transactions. Let's say in a year we make 8,000 loans. If we weren't doing this, maybe we could only make 5,000 loans. So it has added, say, 3,000 loans each year. It has made us able to provide low interest financing to an additional 3,000 borrowers a year. In multifamily, we have just been able to take the lower cost of funds and pass that on to our borrowers, which enable them to have more of the units be available at affordable rents.

What we are ready to do now, as Terri is mentioning, we are going to call on the rating agencies in New York next week and do our usual dog and pony show. We have, this year, hired a new consultant to help us with this. Generally, in the past our bankers have done the cash flow work for us. This is the first year which we have, in fact, gotten an independent consultant. And the reason we have done this primarily is for cost savings. The bankers have too high an overhead to do this kind of work for us.

Caine Mitter, Incorporated is one of the cash flow consultants that specializes in housing and we are working with them. What they have done here, which I will show you, are some of the -- The rating agencies have different scenarios they want you to look at. Then you take your program - we are going to look at the home revenue bond program, which is our largest program, it's $5 billion of assets and liabilities - and show them what effect the rating agency's worst case scenarios would have on the residual value of these programs.

This is Moody's. They are going to say, today, as we all know, LIBOR, the short-term taxable index, is at 1.75, but they are going to say, well, let's pretend that tomorrow it's at 9 percent. And let's pretend, then, that your tax-exempt debt then is at 6 percent and let's also look at what happens if we lose some of the value of our tax exemption and our tax-exempt variable rate bonds would be up close to 7 percent. We will look at that under different prepayment scenarios.

The first three of those bars show, on the left side, show very slow prepayments, in the middle the expected prepayments, on the right, very fast prepayments. And what they show is that even if your loans prepay very quickly, we won't lose that much residual value of the program. Then the right three bars show what happens also if the tax exemption is not worth as much. And this shows too certainly some change, some diminution of value, related to this notion that everybody would be paying off their loans so our program wouldn't have nearly the value.

And if we move down here, this now is Standard and Poor's, which is very similar. They are going to say, well, tomorrow short-term debts will raise to 10 percent and it will have a step up in loss of the value of the tax exemption. In their case, we looked at their scenarios and. they even want us to look at an even faster prepayment scenario so they have sets of four different bars here. But you can see here, looking at their worst case scenario, the residual value of our program even looks flatter under these different situations.

So we are very pleased to be able to take information like this to the rating agencies to show them that while we have a very aggressive program of variable rate debt, we are not betting the farm here. This is a prudent kind of thing we are doing. I am happy to be able to show you that as well. Are there any questions?

CHAIRMAN WALLACE: Sure, but we are not going to take them. I mean, we need to do this every -- Ed, do you get all this? I mean, it is complicated stuff. Don't answer that.

MS. PARKER: I think what we would like to try to do is probably when we come back from New York -- We did a presentation last fall. We can share that information again.

CHAIRMAN WALLACE: Yes. We need periodic reminders just like this. And you did a yeoman's job to do it as fast as you did and with charts but I am - We are a sub-quorum now, nothing more to vote on, and I have got a 12 o'clock luncheon date at the Hyatt. So with that critical agenda is there anything -- Thank you, Ken, it's terrific. And we do need to do this every so often and you do it very well.

Item 7. Any discussion of other matters or reports? There are some reports that you should plug into your folders and read at your leisure. Anything from the audience or the Board on Item 7?

PUBLIC TESTIMONY

If not, anything from the public? Hello? Jane? Ramona? Hearing and seeing none this meeting is adjourned until our next Board Meeting September 12 at the Burbank Hilton. Thank you very much, all of you, good job.

(The meeting was adjourned at 12:05 p.m.)

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

4S Ranch Apartments

CHFA Ln. # 02-024-S

SUMMARY:

This is a Final Commitment reques for a ax exempt, first mortgage loan in the amount of $7,420,000 and a bridge loan-in the amount of $3,870,000. 4S Ranch Apartments is a 120-unit, new construction family project. The borrower will be White Dove Canyon Housing Associates, L.P., a limited partnership with BRIDGE Housing Corporation – Southern California as general partner. The project will be located on the northeast comer of Dove Canyon Road and Camino San Bernardo in San Diego.

LOAN TERMS:

First Mortgage Amount:	$7,420,000
Interest Rate:	5.85%
Term:	35 year fixed, fully amortized
Financing:	Tax-Exempt

Bridge Loan	$3,870,000
Interest Rate:	5.85%
Term:	3 Year, simple interest
Financing:	Tax -Exempt

LOCALITY/OTHER INVOLVEMENT:

The project has received a $909,955 residual receipt, HOME loan from County of San Diego Department of Housing and Community Development for forty years at 3.00%.

4S Kelwood General Partnership, the master developer of the 4S Ranch Community is providing a $1,000,000 residual receipt loan for 55 years at 8% for the purchase of the project site.

PROJECT)ESCRIPTION:

A. Site Design

The project is part of the 4S Ranch Master Development and is part of the inclusionary zoning incorporated into 4S Ranch Specific Plan. The project site is 7.34 acres and is zoned C34 (General Commercial and Residential Use) which is sufficient to construct the 120 unit family apartments. The zoning allows for a maximum density of 18 units per acre or 132 units on the project site. The site has been graded and is partially being used for construction storage. The 4S Ranch area previously was undeveloped land.

B. Project Description

The project will consist of 120 apartments in ten 2-story residential buildings and a community building. There are five 16-plex and five 8-plex residential buildings of walk-up garden style flats. The buildings will be wood frame construction with composite roofs and stucco siding.

The residential unit mix will consist of twenty, 1 bedroom/1 bath units (654 SF), sixty 2 bedroom/1 bath units (857 SF), and forty 3 bedroom/2 bath units (1,046 SF). There will be 240 parking spaces (120 carports and 120 open). Unit amenities include central heat and air conditioning, garbage disposal, dishwasher, and deck or patio. Each building will be serviced by its own central boiler and each unit will be individually metered.

The community building will contain a large multi-purpose community room, rental office, computer room, storage area, and a kitchen. Next to the community room will be the laundry room (1 1 washers/10dryers) with two bathrooms for the pool area. The project amenities include a pool, picnic areas, a basketball court, and a tot lot.

C. Project Location

The project is located in the master planned community of 4S Ranch near Rancho Bernardo in San Diego County, two miles west of Interstate 15. 4S Ranch is 35 miles northeast of downtown San Diego and 10 miles south of Escondido. The project sits on the northeast corner of Dove Canyon Road and Camino San Bernardo.

4S Ranch is a new community which will include over 4,700 homes, a town center, schools, and parks. Approximately 1,000 homes have already been built. Adjacent ***to*** the east and the south of the project are single family homes from 1 to 2 years old. To the west of the project, across Dove Canyon Road is a new housing tract which is under construction. Adjacent to the north of the project is a water treatment plant. The project is separated from the water treatment plant by a 10 to13 foot high berm located along the northern boundary of the property with a six foot high sound wall on top. Across Dove canyon Road from the Water Treatment Plant (and north of the new housing tract) is a water retention pond. The retention pond is fenced in and has been landscaped to minimize the visual impact.

The current amenities serving the project area are located in the Rancho Bernardo/Rancho Penasquitos area which is approximately 1 to 4 miles away and include grocery stores, retail, schools, parks, and other general services. Amenities in 4S Ranch will be in place by 2004 to 2007 and will be approximately ½ to 1 mile away. Services in the area will include grocery stores, drug stores, a post office, city library, and community parks. There is a currently a retail/commercial site under construction at the comer of Dove Canyon Road and Camino Del Norte, a ½ mile north of the project. An elementary and middle school are planned to be completed in 2004 and a high school in **2006.** Public transit will be located 1 block from the project site.

MARKET:

A. Market Overview

The community of 4S Ranch in San Diego County ("the County") is **35** miles northeast from downtown San Diego. The City of San Diego has an estimated population of **1.25** million and the County has a population of **2.9** million as of the **2000** Census. The County is one of the largest metropolitan areas in the nation and the City is ranked the sixth largest in the United States. The County's population is projected to grow by seven percent during 2000 to 2004.

The market study prepared by Market Point Realty advisors, defines the **4S** Ranch market area by the zip codes **92127** and **92129,** which is bordered by Interstate **15** to the east, Lake Hodges to the North, the unincorporated areas of the County to the west, and the southern border of Rancho Penasquitos to the south. The population of the 4S Ranch market area in **2000** was **71,033.** In the **4S** Ranch market area the population is expected to grow by over eight percent from 2000 to 2004.

According to the California Economic Development Department, the County's labor force grew by **45,000** or **3.2** percent between February **2001** and **2002.** The unemployment rate in the County is **3.7** percent compared to California's **4.9** percent. The largest job growth increases were seen in Food Products **(10.2%),** State Government **(6.4%),** and Amusement/Recreation Services **(6.5%).**The largest job losses were in Transportation **(-6.3%),** farm related jobs **(-5.6%),** and Durable Goods **(-3.7%).** The largest employers in San Diego County are the Federal/State Government, UC San Diego, San Diego Unified School District, City of San Diego, and Sharp Health Care.

B. Market Demand

In the combined Rancho Bernardo and 4S Ranch market areas the overall average home price is $616,746 and the average price of a two-bedroom home is $341,118. The overall average price of homes in 4S Ranch is $545,725 with the average price for a three-bedroom home at $495,832. The 4S Ranch area has no two-bedroom homes for sale.

In 2000, the average owner-occupied household income in San Diego County was $75,125 compared to $38,586 for renter households. In the 4S Ranch market area the incomes are at least 25% higher than the County average. In 2000, the average owner occupied household income in 4S Ranch was $95,113 compared to $50,415 for renters. By 2004, owner occupied income is expected to increase to $107,942 and renter occupied income to $57,215.

There are 240,000 households in San Diego County with annual incomes less the $25,000 annually. Based on the market study there are over 900 households in the 4S Ranch market area with income below $15,000 and another 1,408 households earning from $15,000 to $25,000. Total demand from new and existing income qualified (60% of median) renter households in the County totals 22,514 units.

C. Housing Supply

The market study reviewed seven market rate rental comparables and surveyed over 2,750 multifamily units in the 4S Ranch market area. The vacancy rate was less than 1.2 percent for all units. The overall trend for market rate rental apartments has been increasing rents and occupancy levels (overcrowding) in the County. The only drop in occupancy rates recently was due to military dispatchments and new home purchases. Demand remains very strong for all apartments, especially affordable units where supply has been limited. The market study indicates of the nearly 129,600 rental households qualifying for assisted housing in 1990, only 44 percent were being housed, leaving a need of 73,200 affordable units. Only four LMTC apartments have been approved since 2000 in the 4S market area, two of which are currently under construction.

The market study identified three proposed market rate projects (476 units) and four proposed affordable rentals projects including the project (681 units) being planned or with tentative approval for development in the 4S Ranch market area (zip codes 92127 and 92129).

Applied Research Services completed a comprehensive analysis for the Town Center area of 4S Ranch. Applied Research is forecasting annual rental demand for the 4S Ranch submarket at over 1,600 units in the $700 to $1,200 rent range for 2002. The strongest demand is in the $1,200 per month or below range, but there remains strong demand in the $1,200 to $1,700 per month range for new rental housing.

Based on the current population growth rate, the low vacancy rate for all projects, and long waiting lists for affordable projects, the proposed rental projects if built should not affect the project's absorption.

PROJECT FEASIBILITY:

Rent Differentials (Market vs. Restricted)

Rent Level	Subject Rent	Mkt.Rate Avg.	Difference	% of Market
One Bedroom		$977		
50%	$570		$407	58%
60%	$645		$332	66%
Two Bedroom		$1,263		
50%	$638		$625	51%
60%	$942		$321	75%
Three Bedroom		$1,537		
50%	$703		$834	46%
60%	$889		$648	58%

B. Estimated Lease-Up Period

The market study estimates unit lease-up should take 60 days from notice of completion. (The project lease-up is expected to move as quickly as staff are able to process the necessary paperwork.)

OCCUPANCY RESTRICTIONS:

CHFA: 20% of the units (24) will be restricted to 50% or less of median income.

TCAC: 70% of the units (83) will be restricted to 60% or less of median income.
30% of the units (35) will be restricted to 50% or less of median income.

HOME 9% of the units (1 1) will be restricted to 50% or less of median income.

ENVIRONMENTAL:

An Environmental Phase I Site Assessment was prepared on November 1998 by Geocon Consultants Incorporated on 4S Ranch Neighborhood 1 (344 acres), which includes the project site. The report noted that a portion of 4S Ranch had been used to dispose of household waste for 50 years, that there was a 100 gallon diesel above ground storage tank, and dry farming took place on the property. The assessment recommended soil testing.

An updated, site specific Phase I, dated August 12, 2002, was prepared by Geocon Consultants Inc. The report noted the southeastern portion of the project site is being used for landscape supply storage. The northeastern portion of the site is being used for storage of construction equipment and supplies, including a 500 gallon above ground storage tank ("AST"). The diesel AST is situated within a plastic lined earthen berm. Minor surface stains were noted at the site, but did not appear directly related to the AST. The report also noted a previous AST of unknown capacity had been on the site prior to grading in 1999, near the southwest portion of the site. The tank was removed prior to site grading. The assessment recommended mitigation of de *minimus* release of petroleum products at the site and a mitigation plan if any accidental spill should occur.

A preliminary soil gas survey was conducted by Dudek and Associates, Inc. on 4S Ranch Neighborhood 1, which included portions of the project site. Methane gas was detected in "fill" soils through out Neighborhood 1 of 4S ranch. The methane gas occurs naturally throughout the County. The County and San Diego Gas and Electric have enacted mitigation measures in San Diego County for all mass graded projects to have methane testing and mitigation measures if necessary. Dudek recommends a passive venting system for all structures on the project site to eliminate any possible buildup of gases. The system has been incorporated into the design of the project. The venting system meets current design standards of the County and will be approved during County plan check.

A noise assessment was prepared by Dudek and Associates Inc. on April 16, 2002. The report recommended dual pane glass windows and mechanical ventilation for the units closest to the road and units near the water treatment plant. The recommendations have been incorporated into the project design.

A seismic report has been ordered, but has not yet been received. The final commitment will include the conditions that the report and its findings be acceptable to the Agency.

ARTICLE 34:

A letter dated August 26, 2002, from the County of San Diego's Community Development Manager was received stating Article 34 does not apply. A memorandum from the Law Office of Goldfarb and Lipman dated August 8, 2002, was attached as a reference. A formal opinion letter is forthcoming from the County of San Diego's Counsel and is subject to CHFA's review and approval.

DEVELOPMENT TEAM:

A. Borrower's Profile

The borrower is White Dove Canyon Housing Associates, L.P., a California limited partnership. The managing general partner and developer for the project is BRIDGE Housing Corporation-Southern California. Bridge Housing Corporation-Southern California was formed in 1995 as an affiliate of BRIDGE Housing Corporation. BRIDGE has over 18 years experience and has developed 72 projects with a total of ***8,500*** units in California.

B. Contractor

The contractor for the project is Wermers' Construction, which was founded in 1957 and is a multi-faceted company whose area of expertise encompasses multi-family new construction, re-construction, hotels, seniors/assisted living, and commercial construction. Wermers' strength and knowledge lie in the multi-family arena with over 10,000 units built to date. Based in San Diego, with regional offices throughout California, the Wermers' teams have built or renovated over one billion dollars in real estate in the western United States with its focus on California, Nevada, and Arizona.

C. Architect

KTGY Group Inc. is the project architect. KTGY was founded in 1991 and is professional architectural firm based in Irvine California. It provides planning and architectural design services for residential communities and related specialty projects throughout the western United States. Product designs include Single-Family Detached, Apartments, Mixed-Use, Urban Infill, Tax Credit Apartments, Senior Housing, Campus Housing, and Master Planning.

D. Management Agent

BRIDGE Property Management Company will provide property management services for the project. BRIDGE Housing Corporation formed the management company in 1988 as a financially independent, but affiliated non-profit company. BRIDGE Property Management Company is the only company that manages BRIDGE projects. BRIDGE Property Management manages over 3,500 units.

Project Summary

809

Date: 26-Aug-02

Project Profile:

Project:	4S Ranch		
Location:	Dove Canyon Road		
	4S Ranch 92127	*Cap Rate:*	7.25%
County:	San Diego	*Market:*	$14,500,000
Borrower:	White Dove Canyon Housing	*Income:*	$14,350,000
GP:	BRIDGE Housing Corporatioı	*Final Value:*	$14,400,000
LP:	TBD		
		LTC/LTV:	
Program:	Tax-Exempt	*Loan/Cost*	47.8%
CHFA # :	02-024-S	*Loan/Value*	51.5%

Units	120
Handicap Units	3
Bldge Type	New Const.
Buildings	11
Stones	2
Gross Sq Ft	110.338
Land Sq Ft	319,730
Units/Acre	16
Total Parking	240
Covered Parking	120

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$7,420,000	$61,833	5.85%	35
CHFA HAT	$0	$0	0.00%	-
CHFA Loan to Lender	$0	$0	0.00%	-
S.D. County HOME/CDBG	$909,955	$7,583	3.00%	40
Master Community Developer Loan	$1,000,000	$8,333	8.00%	55
AHP	$0	$0	0.00%	-
Grants	$0	$0	0.00%	-
Contributions From Operations	$0	$0		-
Borrower Contribution	$0	$0		-
Deferred Developer Equity	$302,273	$2,519		-
Tax Credit Equity	$5,880,000	$49,000		
CHFA Bridge	$3,870,000	$32,250	5.85%	3
CHFA HAT	$0	$0	0.00%	-

Type	Manager		35% AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			0	0	6	570	14	645	0	0	20
2 bedroom	1	773	0	0	18	638	41	773	0	0	60
3 bedroom	1	889	0	0	12	703	27	889	0	0	40
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	2		0		36		82		0		
											120

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements		Amount	Security
Loan fees	2.00%	of Total Loans	$225,800	Cash
Escrows				
Bond Origination Guarantee	1.00%	of TIE Loans	$112,900	Letter of Credit
inspection fee	$1,500 x	Months of Construction	$18,000	Cash
Construction Defect	2.50%	of Hard Costs	$169,098	Letter of Credit
Reserves				
Operating Expense Reserve	10.00%	of Gross Income	$108,826	Cash
Initial Deposit to Replacement Reserve	0.00%	of Gross Income	$0	Cash
Annual Replacement Reserve Deposit	$325	Per Unit	$39,000	Operations

Sources and Uses — 4S Ranch

SOURCES:

Name of Lender / Source	Amount	$ Per Unit	% of Total
CHFA First Mortgage	7,420,000	61,833	47.8%
CHFA Bridge	0	0	0.0%
CHFA HAT	0	0	0.0%
CHFA Loan to Lender	0	0	0.0%
S.D. County HOMUCDBG	909,955	7,583	5.9%
Other Loans	1,000,000	8,333	6.4%
Total Institutional Financing	**9,329,955**	**77,750**	**60.1%**
Equity Financing			
Tax Credits	5,880,000	49,000	37.9%
Deferred Developer Equity	302,273	2,519	1.9%
Total Equity Financing	**6,182,273**	**51,519**	**39.9%**
TOTAL SOURCES	**15,512,228**	**129,269**	**100.0%**

USES:

Acquisition	1,010,168	8,418	6.5%
Rehabilitation	0	0	0.0%
New Construction	8,808,634	73,405	56.8%
Architectual Fees	382,815	3,190	2.5%
Survey and Engineering	254,030	2,117	1.6%
Const. Loan Interest & Fees	1,132,975	9,441	7.3%
Permanent Financing	697,756	5,815	4.5%
Legal Fees	101,000	842	0.7%
Reserves	112,551	938	0.7%
Contract Costs	16,600	138	0.1%
Construction Contingency	660,000	5,500	4.3%
Local Fees	755,072	6,292	4.9%
TCAC Fees/Costs	57,202	477	0.4%
Other Costs	278,425		1.8%
PROJECT COSTS	**14,267,228**	**118,894**	**92.0%**
Developer Overhead/Profit	1,200,000	10,000	7.7%
Consultant/Processing Agent	45,000	375	0.3%
TOTAL USES	**15,512,228**	**129,269**	**100.0%**

Annual Operating Budget

4S Ranch

		$ Per Unit
INCOME:		
Total Rental Income	1,076,736	8,973
Laundry	11,520	96
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,088,256**	**9,069**
Less:		
Vacancy Loss	54,413	453
Total Net Revenue	**1,033,843**	**8,615**
EXPENSES:		
Payroll	106,988	892
Administrative	131,356	1,095
Utilities	51,840	432
Operating and Maintenance	111,222	927
Insurance and Business Taxes	41,948	350
Taxes and Assessments	5,000	42
Reserve for Replacement Deposits	39,000	325
Subtotal Operating Expenses	**487,354**	**4,061**
Financial Expenses		
Mortgage Payments (1st loan)	498,759	4,156
Total Financial	**498,759**	**4,156**
Total Project Expenses	**986,114**	**8,218**

Cash Flow — 4S Ranch — CHFA Development Number: 02-024-S

RENTAL INCOME	Year 1	Year2	Year3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,076,736	1,103,654	1,131,246	1,159,527	1,188,515	1,218,228	1,248,684	1,279,901	1,311,898	1,344,696
TOTAL RENTAL INCOME	**1,076,736**	**1,103,654**	**1,131,246**	**1,159,527**	**1,188,515**	**1,218,228**	**1,248,684**	**1,279,901**	**1,311,898**	**1,344,696**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	11,520	11,808	12,103	12,406	12,716	13,034	13,360	13.694	14,036	14,387
Other Income	0	0	0	*0*	*0*	*0*	*0*	**0**	**0**	**0**
TOTAL OTHER INCOME	**11,520**	**11,808**	**12,103**	**12,406**	**12,716**	**13,034**	**13,360**	**13,694**	**14,036**	**14,387**
GROSS INCOME	**1,088,256**	**1,115,462**	**1,143,349**	**1,171,933**	**1,201,231**	**1,231,262**	**1,262,043**	**1,293,594**	**1,325,934**	**1,359,083**
Vacancy Rate :Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate :Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy LOSS	54,413	55,773	57,167	58,597	60,062	61,563	63,102	64.680	66,297	67,954
EFFECTIVE GROSS INCOME	**1,033,843**	**1,059,689**	**1,086,182**	**1,113,336**	**1,141,169**	**1,169,699**	**1,198,941**	**1,228,915**	**1,259,638**	**1,291,128**
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	448,354	466,288	484,940	504,338	524,511	545.492	567,311	590,004	613,604	638,148
Replacement Reserve	39,000	39,000	39,000	39,000	39,000	40,950	40,950	40,950	40,950	40,950
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	*0*	*0*	*0*	*0*	0	0	0
TOTAL EXPENSES	**487,354**	**505,288**	**523,940**	**543,338**	**563,511**	**586,442**	**608,261**	**630,954**	**654,554**	**679,098**
NET OPERATING INCOME	**546,489**	**554,401**	**562,241**	**569,998**	**577,658**	**583,257**	**590,680**	**597,961**	**605,084**	**612,031**
DEBT SERVICE										
CHFA - 1st Mortgage	498.759	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759
CHFA - Bridge Loan	1,443,085	1,443,694	1,444,678	0	0					
CHFA - HAT Loan (amortizing)	0	0	0	*0*	*0*					
CASH FLOW after debt service	**47,729**	**55,641**	**63,482**	**71,239**	**78,899**	**84,498**	**91,920**	**99,202**	**106,324**	**113,271**
DEBT COVERAGE RATIO	**1.10**	**1.11**	**1.13**	**1.14**	**1.16**	**1.17**	**1.18**	**1.20**	**1.21**	**1.23**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,378,313	1,412,771	1,448,090	1,484,292	1,521,400	1,559,435	1,598,421	1,638,381	1,679,341	1,721,324
TOTAL RENTAL INCOME	**1,378,313**	**1,412,771**	**1,448,090**	**1,484,292**	**1,521,400**	**1,559,435**	**1,598,421**	**1,638,381**	**1,679,341**	**1,721,324**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	14,747	15,115	15,493	16,880	16,277	16,684	17,102	17,529	17,967	18,416
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**14,747**	**15,115**	**15,493**	**15,880**	**16,277**	**16,684**	**17,102**	**17,529**	**17,967**	**18,416**
GROSS INCOME	**1,393,060**	**1,427,886**	**1,463,583**	**1,500,173**	**1,537,677**	**1,576,119**	**1,615,522**	**1,655,910**	**1,697,308**	**1,739,741**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	69,653	71,394	73,179	75,009	76,884	78,806	80,776	82,796	84,865	86,987
EFFECTIVE GROSS INCOME	**1,323,407**	**1,356,492**	**1,390,404**	**1,425,164**	**1,460,793**	**1,497,313**	**1,534,746**	**1,573,115**	**1,612,443**	**1,652,754**
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	663,674	690,221	717,830	746,543	776,405	807,461	839,759	873,350	908,284	944,615
Replacement Reserve	42,998	42,998	42,998	42,998	42,998	45,147	45,147	45,147	45,147	45,147
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**706,671**	**733,218**	**760,827**	**789,540**	**819,402**	**852,608**	**884,907**	**918,497**	**953,431**	**989,762**
NET OPERATING INCOME	**616,735**	**623,274**	**629,577**	**635,624**	**641,391**	**644,705**	**649,839**	**654,618**	**659,012**	**662,991**
DEBT SERVICE										
CHFA - 1st Mortgage	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	**117,976**	**124,514**	**130,817**	**136,864**	**142,632**	**145,946**	**151,080**	**155,858**	**160,252**	**164,232**
DEBT COVERAGE RATIO	**1.24**	**1.25**	**1.26**	**1.27**	**1.29**	**1.29**	**1.30**	**1.31**	**1.32**	**1.33**

Cash Flow

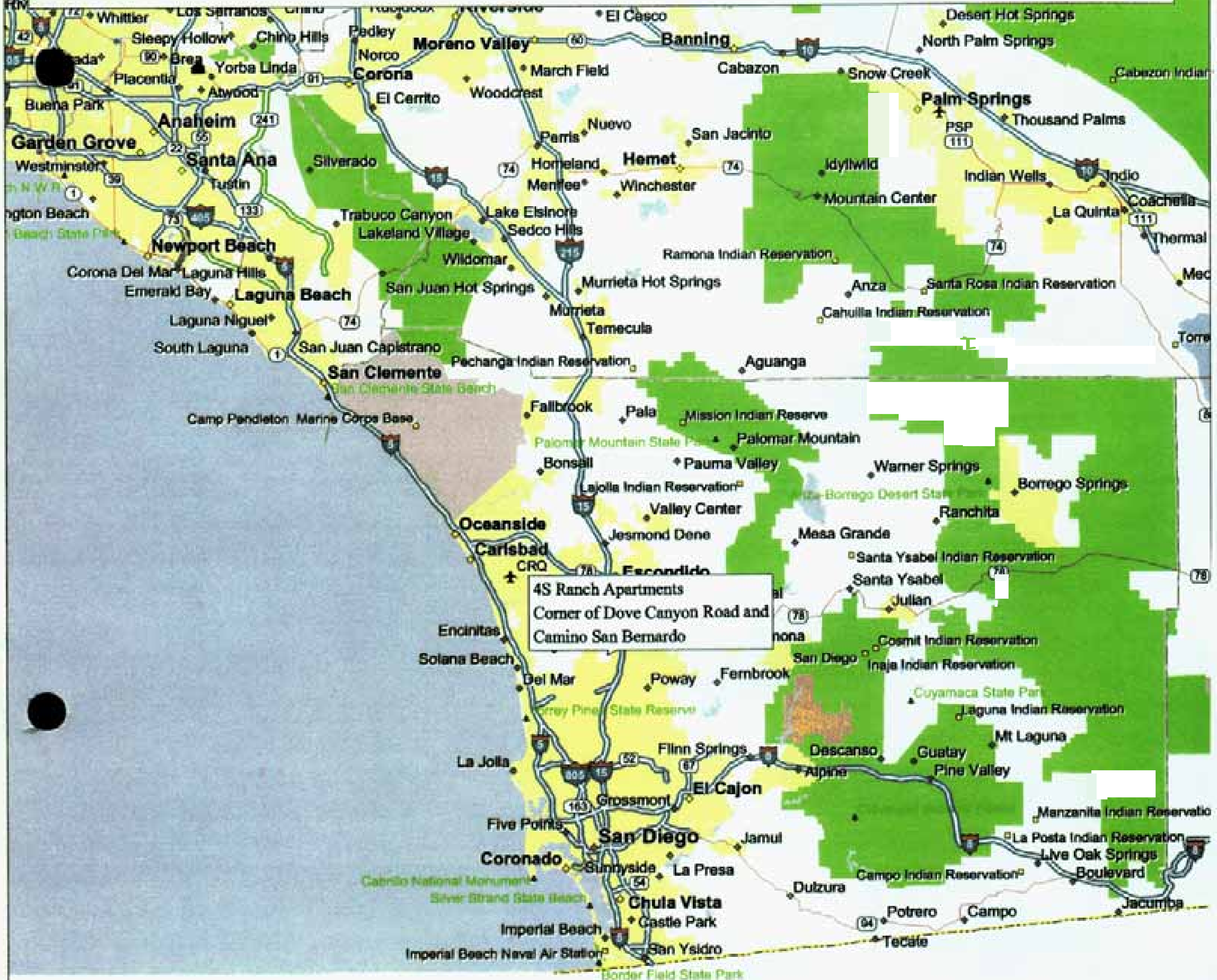
RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	*0*	*0*	*0*	*0*	*0*	*0*	0	*0*	*0*	*0*
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,764,357	1,808,466	1,853,678	1,900,020	1,947,520	1,996,208	2,046,114	2,097,266	2,149,698	2,203,441
TOTAL RENTAL INCOME	**1,764,357**	**1,808,466**	**1,853,678**	**1,900,020**	**1,947,520**	**1,996,208**	**2,046,114**	**2,097,266**	**2,149,698**	**2,203,441**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	18,877	19,349	19,833	20,328	20,837	21,357	21,891	22,439	23,000	23,575
Other Income	0	0	0	*0*	*0*	*0*	*0*	0	0	0
TOTAL OTHER INCOME	**18,877**	**19,349**	**19,833**	**20,328**	**20,837**	**21,357**	**21,891**	**22,439**	**23,000**	**23,575**
GROSS INCOME	**1,783,234**	**1,827,815**	**1,873,510**	**1,920,348**	**1,968,357**	**2,017,566**	**2,068,005**	**2,119,705**	**2,172,698**	**2,227,015**
Vacancy Rate :Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate :Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	89,162	91,391	93,676	96,017	98,418	100,878	103,400	105,985	108,635	111,351
EFFECTIVE GROSS INCOME	**1,694,072**	**1,736,424**	**1,779,835**	**1,824,331**	**1,869,939**	**1,916,687**	**1,964,605**	**2,013,720**	**2,064,063**	**2,115,664**
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	982,399	1,021,695	1,062,563	1,105,066	1,149,268	1,195,239	1,243,049	1,292,771	1,344,482	1,398,261
Replacement Reserve	47,405	47,405	47,405	47,405	47,405	49,775	49,775	49,775	49,775	49,775
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	*0*	0	*0*	*0*	0	0	0
TOTAL EXPENSES	**1,029,804**	**1,069,100**	**1,109,968**	**1,152,471**	**1,196,673**	**1,245,014**	**1,292,824**	**1,342,546**	**1,394,257**	**1,448,036**
NET OPERATING INCOME	**664,268**	**667,324**	**669,867**	**671,860**	**673,266**	**671,673**	**671,781**	**671,174**	**669,806**	**667,629**
DEBT SERVICE										
CHFA - 1st Mortgage	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759	498,759
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	**165,509**	**168,565**	**171.107**	**173.101**	**174,506**	**172,914**	**173,021**	**172,415**	**171,047**	**168,869**
DEBT COVERAGE RATIO	**1.33**	**1.34**	**1.34**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.34**	**1.34**

Cash Flow

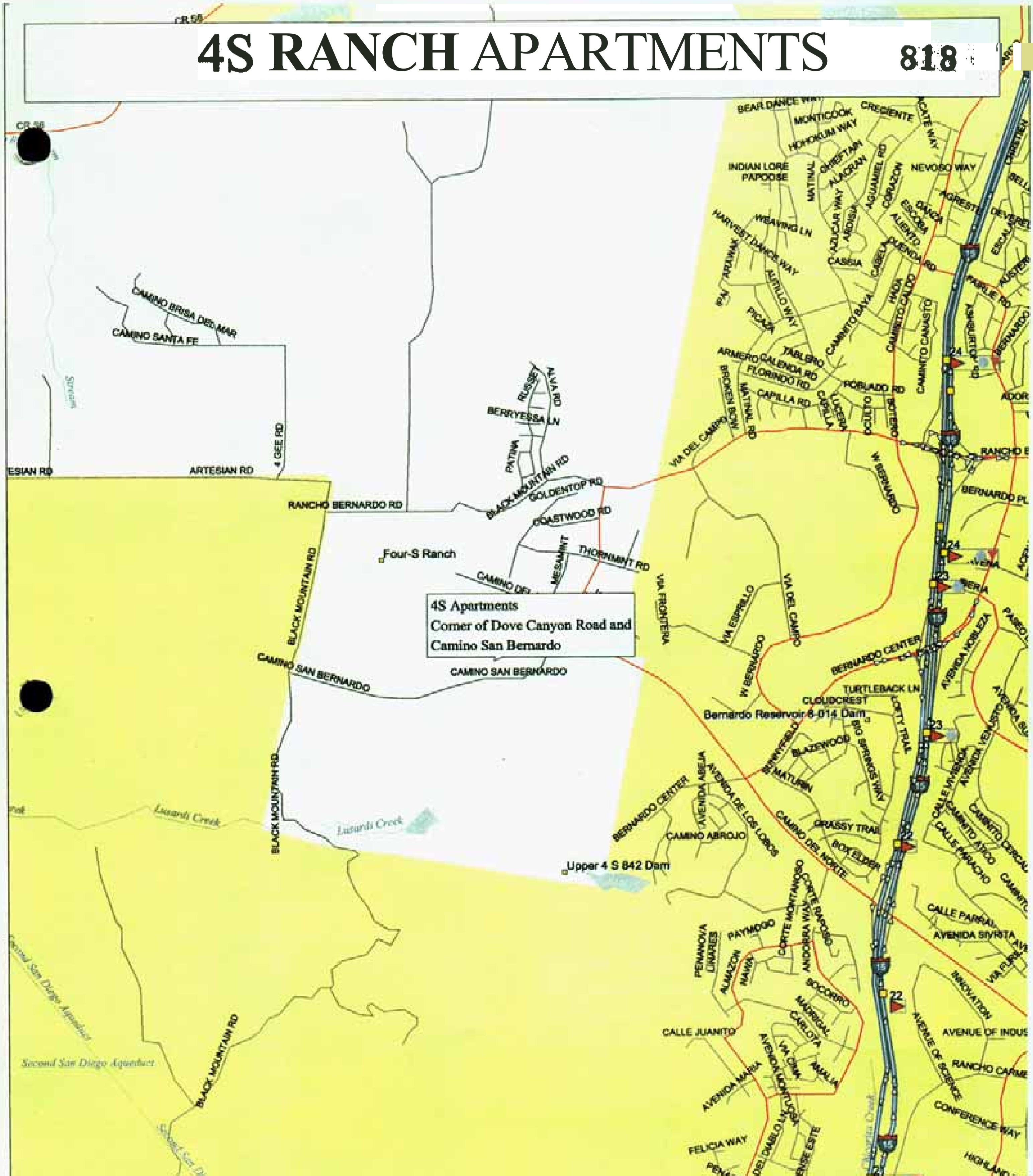
RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35
Market Rent Increase	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	2,258,527	2,314,990	2,372,864	2,432,186	2,492,991
TOTAL RENTAL INCOME	**2,258,527**	**2,314,990**	**2,372,864**	**2,432,186**	**2,492,991**
OTHER INCOME					
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	[illegible]64	24,768	25,387	26,022	26,673
Other Income	0	0	0	0	0
TOTAL OTHER INCOME	**24,164**	**24,768**	**25,387**	**26,022**	**26,673**
GROSS INCOME	**2,282,691**	**2,339,758**	**2,398,252**	**2,458,208**	**2,519,663**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	114,135	116,988	119,913	122,910	125,983
EFFECTIVE GROSS INCOME	**2,168,556**	**2,222,770**	**2,278,339**	**2,335,298**	**2,393,680**
OPERATING EXPENSES					
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	1,454,191	1,512,359	1,572,853	1,635,767	1,701,198
Replacement Reserve	52,264	52,264	52,264	52,264	52,264
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0
TOTAL EXPENSES	**1,506,455**	**1,564,623**	**1,625,117**	**1,688,031**	**1,753,462**
NET OPERATING INCOME	**662,101**	**658,147**	**653,222**	**647,267**	**640,218**
DEBT SERVICE					
CHFA - 1st Mortgage	498,759	498,759	498,759	498,759	498,759
CHFA - Bridge Loan					
CHFA - HAT Loan (amortizing)					
CASH FLOW after debt service	**163,342**	**159,388**	**154,463**	**148,507**	**141,459**
DEBT COVERAGE RATIO	**1.33**	**1.32**	**1.31**	**1.30**	**1.28**

4S RANCH

816


4S Ranch Apartments
Corner of Dove Canyon Road and
Camino San Bernardo
Whittier
Sleepy Hollow
Chino Hills
Pedley
Norco
Corona
Moreno Valley
Banning
El Casco
Desert Hot Springs
North Palm Springs
Cabazon
Snow Creek
Palm Springs
Thousand Palms
PSP
Placentia
Yorba Linda
Atwood
Brea
Buena Park
Anaheim
Garden Grove
Santa Ana
Westminster
Tustin
Silverado
El Cerrito
Woodcrest
March Field
Perris
Nuevo
San Jacinto
Homeland
Hemet
Menifee
Winchester
Idyllwild
Mountain Center
Indian Wells
Indio
Coachella
La Quinta
Thermal
Newport Beach
Trabuco Canyon
Lakeland Village
Lake Elsinore
Sedco Hills
Wildomar
Ramona Indian Reservation
Corona Del Mar
Laguna Hills
Emerald Bay
Laguna Beach
San Juan Hot Springs
Murrieta Hot Springs
Murrieta
Temecula
Anza
Santa Rosa Indian Reservation
Cahuilla Indian Reservation
Laguna Niguel
South Laguna
San Juan Capistrano
San Clemente
San Clemente State Beach
Pechanga Indian Reservation
Aguanga
Fallbrook
Pala
Mission Indian Reserve
Palomar Mountain
Palomar Mountain State Park
Camp Pendleton Marine Corps Base
Bonsall
Pauma Valley
Warner Springs
Borrego Springs
Lajolla Indian Reservation
Anza-Borrego Desert State Park
Valley Center
Ranchita
Oceanside
Carlsbad
CRQ
Jesmond Dene
Mesa Grande
Santa Ysabel Indian Reservation
Santa Ysabel
Julian
Escondido
Encinitas
Solana Beach
Del Mar
Poway
Fernbrook
San Diego
Cosmit Indian Reservation
Inaja Indian Reservation
Cuyamaca State Park
Laguna Indian Reservation
Mt Laguna
Torrey Pines State Reserve
La Jolla
Flinn Springs
Descanso
Guatay
Pine Valley
Alpine
El Cajon
Grossmont
Manzanita Indian Reservation
Five Points
San Diego
Jamul
La Posta Indian Reservation
Live Oak Springs
Boulevard
Coronado
Sunnyside
La Presa
Cabrillo National Monument
Silver Strand State Beach
Chula Vista
Dulzura
Campo Indian Reservation
Castle Park
Potrero
Campo
Jacumba
Imperial Beach
Imperial Beach Naval Air Station
San Ysidro
Tecate
Border Field State Park

4S RANCH APARTMENTS



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RESOLUTION 02-18

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from White Dove Canyon Housing Associates, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 120-unit multifamily housing development located in the City of San Diego to be known as 4S Ranch Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 26,2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 11,2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS		MORTGAGE AMOUNT
02-024-S	4S Ranch Apartments San Diego/San Diego	120	First Mortgage: Bridge Loan:	$7,420,000 $3,870,000

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

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

I hereby certify that this is a true and correct copy of Resolution 02-18 adopted at a duly constituted meeting of the Board of the Agency held on September 12,2002, at Burbank, California.

ATTEST: ______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Laguna Canyon Apartments
CHFA Ln. # 02-025-S

SUMMARY:

This is a Final Commitment request for a first mortgage, tax-exempt loan in the amount of $8,360,000 at 5.85%, amortized over thirty-five years. Laguna Canyon Apartments is a 120-unit, new construction apartment project for families. The borrower is Laguna Canyon Housing Associates, L.P., a limited partnership with **BRIDGE** Housing Corporation-Southern California as the general partner. The project will be located at 400 Limestone Way, Irvine, in Orange County.

LOAN TERMS:

1" Mortgage Amount:	$8,360,000
Interest Rate:	5.85%
Term:	35 year fixed, fully amortized
Financing:	Tax-Exempt

LOCALITY/OTHER INVOLVEMENT:

The borrower has received a loan in the amount of $2,583,000 from the County of Orange at 3.0% for fifty-five years and payments are residual receipts.

The project will be constructed on leased land owned by The Irvine Company, who is expected to be the investor in Laguna Canyon Housing Associates, L.P. upon completion of the development. The ground lease payments to The Irvine Company are two-fold: a fixed payment of $10,000 annually that is included in the operating budget, and a portion of the residual receipts from the project. The CHFA Regulatory Agreement will be recorded against the fee interest and the Deed of Trust will be recorded against the leasehold interest. The exact terms of the Ground Lease are currently being negotiated and are subject to review and approval by CHFA.

PROJECT DES(N:

A. Site Design

The project will be constructed on a 5.6 acre site that is currently zoned Medical and Science. The zoning will not be changed because the General Plan Amendment states that not-for-profit housing is a public facility use that is allowed in every land category in the City's General Plan. Therefore, the project meets current zoning requirements.

The site is currently vacant and is being graded with the rest of the 1,239 acre master planned community known as the Village of Quail Hill ("Quail Hill"). The project meets the inclusionary zoning requirements imposed by the City of Irvine's General Plan. At present, the master planned community site is either graded land or preserved open space. The project is directly adjacent to the residential portion of Quail Hill. The planned development will include 2,553 residential units, 600 acres of protected open space and neighborhood retail/commercial. Approximately 7 housing tracts are currently under construction, including single-family homes, townhouses and condominiums priced from the high $200,000's to the **mid-$700,000's**.

B. Project Description

The project will include six residential three-story, wood-frame buildings with four building types. There will be a stand alone community building located at the center of the site. Two buildings (using the same building type) will have handicapped accessible units with elevator access to each floor and to the parking garage below. The other three building types are walk-up apartment buildings.

The 120 units consist of: 26 one-bedroom, one-bath units (approximately 721 sq. ft.), 26 two-bedroom, one-bath units (approximately 913 sq. ft.), 24 two-bedroom, two-bath units (approximately 956 sq. ft.) and **44** three-bedroom, two bath units (approximately 1,093 sq. ft.). Unit amenities include central heat and air, garbage disposals and energy efficient dishwashers and refrigerators. There are a total of 245 parking spaces: 52 are carports, 68 garage spaces in two of the buildings and 125 are open spaces. Project amenities include a pool and the community building that will include a laundry room, a leasing office, showers and restrooms. The units will be individually metered and there will be a central water boiler system for each building.

C. Project Location

The project is located at the southern edge of the City of Irvine in a mixed-use master planned community known as Quail Hill. The project will be constructed in a site originally intended for science and medical space and as such was not included in the homeowner's association or subject to the CC&R's of the residential development. The adjacent uses include: a water retention basin to the northwest of the project, Laguna Canyon Road to the east with a medical and science commercial center on the other side of the street, preserved open space to the west (with a power line easement), and residential development across Quail Hill Parkway to the south.

Due to the site's original intended use and the fact that it is located outside the master homeowner association of Quail Hill, the project will not be subject to association fees. This will exclude the tenants from using the gated park within the association community, but the much larger and closer public park will be available to the tenants.

The closest existing grocery/shopping center is within two miles of the project. However, Quail Hill will include a shopping center within one mile of the project on Quail Hill Parkway. Also located on Quail Hill Parkway, but closer to the project will be Knollcrest Public Park and Quail Hill Elementary School. A bus line will be located proximate to the project, although it's precise location has yet to be determined.

MARKET:

A. Market Overview

The site is located in the County of Orange in the City of Irvine ("Imine"). Orange County is home to a vast number of major industries and service organizations. Services, retail trade and manufacturing are the largest employers in Orange County, accounting for almost 65% of total employment. Employment in Irvine is dominated by the U.C. Irvine and the Irvine Unified School District.

Irvine is a planned community that was established in the early 1970's and incorporated on December 28, 1971. To encourage economic development in Irvine, the city has developed several services to attract businesses. These services include courtesy pre-filing meetings for building permits; business development workshops; outreach to retailers, manufacturers and brokerage firms; business attraction marketing; international business development networking; industrial development bond financing and small business loan guarantees.

According to the research company Claritas Inc., Irvine's population increased from 143,072 in 2000 to an estimated 148,138 in 2002. Over the next five years, growth is projected to be 8.4% or an estimated 1.7% per year. This is almost double the estimated national increase over the next **5** years of 4.8%. The average household income in Irvine in 2002 is estimated at $96,241 and it is expected to increase 15.4% over the next five years to **$1**11,019. The estimated median household income in 2002 for Irvine is $72,467 and the median income for Orange County is $68,871.

B. Market Demand

The job market in Imine is growing and unemployment is low, 2.5% in 2002, almost half of the unemployment rate for California (4.9%) during the same period. According to the appraisal, approximately **33%** of households within a five-mile radius of the project are renter occupied. Home prices in Irvine range from **$200,000** for a small **1,000** square foot, two-bedroom condominium to over **$500,000** for a single-family detached home with approximately **2,500** square feet. The new Shady Canyon development, near Quail Hill is a high-end development with custom home sites and tract homes starting in the high **$800,000's** to over **$1.2** million. The market study prepared in July **2002** defines the primary market area ("PMA") for the project as the City of Irvine.

Vacancy rates for all market rate rental projects range between **3%** to **5%.** There are no individual waiting lists, but people looking for rental housing in Irvine are assisted by the Irvine Company Apartment Information Center which maintains a list of available units by location, rent, size and amenities.

C. Housing Supply

There are **55,600** housing units in the City of Irvine, the bulk of which **(56.0%)** are multifamily units. Many of the multifamily units are for-sale condominiums, although approximately **20,000** are multifamily rental units in **44** rental projects. The Irvine Company owns most of the **20,000** multifamily housing units **(40** rental projects) and they have not sold an apartment project in the past **20** years.

According to the market study completed in July **2002,** there are three market rate family projects within one mile of the site and all of which have 1, **2,** and **3** bedroom units. All of the market rate projects are older, two of the three were constructed in the early 1980's and the third was renovated in **2001.** Overall the market rate projects are considered comparable. The age of the units offsets the fact that their unit sizes are generally larger, particularly the two-bedroom units. However, the projects are proximate in location and comparable in unit mix and amenities. Rents for market rate comparables range from **$1,100** for a one-bedroom unit to **$1,875** for the three bedroom units. The market rate amenities found at many, but not all market rate projects which are not offered at this project are internet access, pets permitted (except for under special circumstances) and access to facilities operated by the local homeowner association. There are no known multifamily projects in the planning or development stages in the PMA.

The appraiser looked at **6** market rate projects in Irvine within a five mile radius. The six projects are all new and all are managed by **Irvine** Apartment Communities. The market rate units are larger and rents are higher than those older projects in the market study. The amenities packages are similar, but the market rate projects in the appraisal **also** included washers/dryers in the units and a fitness center. Monthly rents range from **$1,264** for a one-bedroom unit to an estimated **$2,300** for a three bedroom unit.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Mkt.Rate Avg.	Difference	% of Market
One Bedroom		$1,250		
30%	$366		$884	29%
50%	$649		$601	52%
<60%	$756		$494	60%
Two Bedroom		$1,375		
30%	$433		$942	31%
50%	$773		$602	56%
<60%	$850		$525	62%
Three Bedroom		$1,700		
30%	$497		$1,203	29%
50%	$890		$810	52%
<60%	$945		$755	56%

B. Estimated Lease-Up Period

The market study estimates the units will be rented up at a rate of 15-20 units per month. The estimated lease-up time for the project is five months.

OCCUPANCY RESTRICTIONS:

CHFA: 20% of the units (24) will be restricted to ***50%*** or less of median income.

County of Orange:
10% of the units (12) will be restricted to 30% or less of median income.
26% of the units (31) will be restricted to ***50%*** or less of median income.
12% of the units (14) will be restricted to ***55%*** or less of median income.

City of Irvine:
5% of the units (6) will be restricted to ***50%*** or less of median income.
5% of the units (6) will be restricted to 60% or less of median income.
5% of the units (6) will be restricted to 80% or less of median income.

TCAC: 100% of the units (118) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

A Phase I Environmental Assessment Report was prepared on the entire Quail Hill planned development in March 2000 by Environmental Management Consulting. A Phase I, specific to this site was completed on August 22, 2002 by Anne M. Brown, Environmental Management Consulting. A reliance letter has been requested so CHFA can rely on the findings in this report. No adverse findings were noted and all surrounding contaminated sites identified in the report were over ¾ mile away and do not impact the site. Murai Farms operated an agriculture office/ equipment yard 2000 feet south of the site. All of their farm buildings, equipment, septic tank systems and wash down pad were removed in 2001. The Phase 1 includes the findings of Advanced Environmental Concepts ("AEC") which was contracted by the Irvine Community Development Company to perform a post-remedial soil assessment on July 12, 2001. According to AEC there were no adverse findings and no additional work was recommended.

An Exterior Noise Analysis was prepared for BRIDGE Housing on May 31, 2002 by BridgeNet International. It recommended a seven foot tall noise barrier wall around the northern and eastern portions of the pool which has been incorporated into the project's design. The noise study recommended an interior noise analyses once the final architectural plans were available. An interior noise study, acceptable interior sound levels to satisfy code requirements will be a condition of the Agency's final commitment.

A Seismic Report has been ordered from URS and review and approval of the report and the incorporation of any report recommendations will be a condition of the Agency's final commitment.

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 Laguna Canyon Housing Associates, a California limited partnership, with BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation ("BRIDGE Housing") as the general partner. BRIDGE Housing was formed in 1995 as an affiliate of BRIDGE Housing Corporation. It has over 18 years experience in affordable housing and has developed 72 projects with a total of 8,500 units in California.

B. Contractor

Regis Contractors, LLP, was formed in the mid 1970's and merged with Sares Regis in 1993. They have completed 66 multifamily projects with a total of 15,828 units since 1984, almost exclusively in Irvine and they are the contractor for The Irvine Company. Regis Contractors, LLP has also been the contractor on four affordable housing developments for BRIDGE Housing Corporation.

C. Architect

KTGY Group Inc. is the project architect. KTGY was founded in 1991 and is a full service architectural firm based in Irvine, California. It provides planning and architectural design services for residential communities and related specialty projects throughout the western United States.

D. Management Agent

BRIDGE Property Management Company will provide property management services for the project. It was formed in 1988 as a financially independent, but affiliated non-profit company by BRIDGE Housing Corporation. BRIDGE Property Management Company manages over 3,500 units for BRIDGE Housing Corporation.

Project Summary

829

Date: 27-Aug-02

[redacted]rofile:

Project :	Laguna Canyon Family Apartments		
Location:	400 Limestone Way		
	Irvine 92618	*Cap Rate:*	7.75%
County:	Orange	*Market:*	$15,350,000
Borrower:	L.C.H.A.	*Affordable:*	$15,275,000
GP:	BRIDGE H. C.- So. Cal.	*Final Value:*	$15,350,000
LP:	BRIDGE Housing Corp.		
		LTC/LTV:	
Program:	Tax Exempt	*Loan/Cost*	52.3%
CHFA #:	02-025-S	*Loan/Value*	**54.5%**

Project Description:

Units	120
Handicap Units	4
Bldge Type	New Const.
Buildings	8
Stones	3
Gross Sq Ft	243.936
Land Sq Ft	144,472
Units/Acre	36
Total Parking	245
Covered Parking	124

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$8,360,000	$69,667	5.85%	35
CHFA HAT	$0	$0	0.00%	
County of Orange	$2,583,400	$21,528	3.00%	55
AHP	$0	$0	3.00%	
Loan 6	$0	$0	0.00%	
Loan 7	$0	$0	0.00%	
Grants	$0	$0	0.00%	
Contributions From Operations	$0	$0		
Borrower Contribution	$0	$0		
Deferred Developer Equity	$212.726	$1,773		
Tax Credit Equity	$4,825,000	$40.208		
CHFA Bridge	$0	$0	0.00%	-
CHFA HAT	$0	$0	0.00%	-

[redacted]

Type	Manager		30% AMI		50% AMI		<60% City				Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent	
1 bedroom			3	366	3	649	20	756	0	0	26
2 bedroom	1	773	5	433	5	773	39	850	0	0	50
3 bedroom	1	945	4	497	4	890	35	945	0	0	44
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	2		12		12		94		0		
											120

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	2.00% of Loan Amount	$167,200	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	$83.600	Letter of Credit
Inspection fee	$1,500 x months of construction	$22,500	Cash
Construction Defect	2.50% of Hard Costs	$239,000	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$118.375	Letter of Credit
Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	$320 per unit	$38,400	Operations

Sources and Uses Laguna Canyon Family Apartments

SOURCES:

Name of Lender / Source	Amount	$ per Unit	% of Total $
CHFA First Mortgage	8,360,000	69,667	52.3%
CHFA Bridge	0	0	0.0%
CHFA HAT*	0	0	0.0%
County of Orange	2,583,400	21,528	16.2%
AHP	0	0	0.0%
Other Loans	0	0	0.0%
Total Institutional Financing	**10,943,400**	**91,195**	**68.5%**
Equity Financing			
Tax Credits	4,825,000	40,208	30.2%
Deferred Developer Equity	212,726	1,773	1.3%
Total Equity Financing	**5,037,726**	**41,981**	**31.5%**
TOTAL SOURCES	**15,981,126**	**133,176**	**100.00%**

USES:

Acquisition	0	0	0.0%
Rehabilitation	0	0	0.0%
New Construction	11,088,200	92,402	69.4%
Architectual Fees	525,000	4,375	3.3%
Survey and Engineering	0	0	0.0%
Const. Loan Interest & Fees	1,059,778	8,831	6.6%
Permanent Financing	182,700	1,523	1.1%
Legal Fees	50,000	417	0.3%
Reserves	118,375	986	0.7%
Contract Costs	18,000	150	0.1%
Construction Contingency	600,000	5,000	3.8%
Local Fees	924,801	7,707	5.8%
TCAC/Other Costs	214,272	1,786	1.3%
PROJECT COSTS	**14,781,126**	**123,176**	**92.5%**
Developer Overhead/Profit	1,200,000	10,000	7.5%
Consultant/Processing Agent	0	0	0.0%
TOTAL USES	**15,981,126**	**133,176**	**100.0%**

Annual Operating Budget Laguna Canyon Family Apartments

		$ per unit
INCOME:		
Total Rental Income	1,172,232	9,769
Laundry	11,520	96
Other Income	0	-
Commercial/Retail	**0**	-
Gross Potential Income (GPI)	**1,183,752**	**9,865**
Less:		
Vacancy Loss	59,188	493
Total Net Revenue	**1,124,564**	**9,371**
EXPENSES:		
Payroll	107,432	895
Administrative	92,280	769
Utilities	112,984	942
Operating and Maintenance	61,740	515
Insurance and Business Taxes	58,610	488
Taxes and Assessments	5,803	48
Reserve for Replacement Deposits	38,400	320
Subtotal Operating Expenses	**477,249**	**3,977**
Financial Expenses		
Mortgage Payments (1st loan)	561,945	4,683
Total Financial	**561,945**	**4,683**
Total Project Expenses	**1,039,193**	**8,660**

Cash Flow — Laguna Canyon Family Apartments CHFA # 02-025-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,172,232	1,201,538	1,231,576	1,262,366	1,293,925	1,326,273	1,359,430	1,393,415	1,428,251	1,463,957
TOTAL RENTAL INCOME	**1,172,232**	**1,201,538**	**1,231,576**	**1,262,366**	**1,293,925**	**1,326,273**	**1,359,430**	**1,393,415**	**1,428,251**	**1,463,957**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	11,520	11,808	12,103	12,406	12,716	13,034	13,360	13,694	14,036	14,387
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**11,520**	**11,808**	**12,103**	**12,406**	**12,716**	**13,034**	**13,360**	**13,694**	**14,036**	**14,387**
GROSS INCOME	**1,183,752**	**1,213,346**	**1,243,679**	**1,274,771**	**1,306,641**	**1,339,307**	**1,372,789**	**1,407,109**	**1,442,287**	**1,478,344**
Vacancy Rate : Market	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
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	59,188	60,667	62,184	63,739	65,332	66,965	68,689	[illegible]	72,114	73,917
EFFECTIVE GROSS INCOME	**1,124,564**	**1,152,679**	**1,181,495**	**1,211,033**	**1,241,309**	**1,272,341**	**1,304,150**	**1,336,754**	**1,370,173**	**1,404,427**
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	433,046	450,367	468,382	487,117	506,602	526,866	547,941	569,858	592,653	616,359
Replacement Reserve	38,400	38,400	38,400	38,400	38,400	40,320	40,320	40,320	40,320	40,320
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	5,803	5,919	6,037	6,158	6,281	6,407	6,535	6,666	6,799	6,935
TOTAL EXPENSES	**477,249**	**494,686**	**512,819**	**531,675**	**551,283**	**573,593**	**594,796**	**616,844**	**639,772**	**663,614**
NET OPERATING INCOME	**647,316**	**657,992**	**668,676**	**679,357**	**690,025**	**698,748**	**709,354**	**719,910**	**730,401**	**740,813**
DEBT SERVICE										
CHFA - 1st Mortgage	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan (amortizing)	0	0	0	0	0					
CASH FLOW after debt service	**85,371**	**96,047**	**106,731**	**117,413**	**128,081**	**136,804**	**147,409**	**157,965**	**168,456**	**178,868**
DEBT COVERAGE RATIO	**1.15**	**1.17**	**1.19**	**1.21**	**1.20**	**1.24**	**1.26**	**1.28**	**1.30**	**1.32**

Cash Flow

RENTAL INCOME	Year11	Year12	Year13	Year14	Year 15	Year16	Year 17	Year 18	Year19	Year20
Market Rent Increase	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***
Affordable Rents	1,500,556	1,538,070	1,576,522	1,615,935	1,656,333	1,697,741	1,740,185	1,783,690	1,828,282	1,873,989
TOTAL RENTAL INCOME	**1,500,556**	**1,538,070**	**1,576,522**	**1,615,935**	**1,656,333**	**1,697,741**	**1,740,185**	**1,783,690**	**1,828,282**	**1,873,989**
OTHER INCOME										
Other Income Increase	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***
Laundry	14,747	15,115	15,493	15,880	16,277	16,684	17,102	17,529	17,967	18,416
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**14,747**	**15,115**	**15,493**	**15,880**	**16,277**	**16,684**	**17,102**	**17,529**	**17,967**	**18,416**
GROSS INCOME	**1,515,303**	**1,553,185**	**1,592,015**	**1,631,815**	**1,672,611**	**1,714,426**	**1,757,286**	**1,801,219**	**1,846,249**	**1,892,405**
Vacancy Rate :Market	***7.00%***	***7.00%***	***7.00%***	***7.00%***	***7.00%***	***7.00%***	***7.00%***	***7.00%***	***7.00%***	***7.00%***
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	75,765	77.659	79,601	81,591	83,631	85,721	87.864	90,061	92,312	94,620
EFFECTIVE GROSS **INCOME**	**1,439,538**	**1,475,526**	**1,512,414**	**1,550,224**	**1,588,980**	**1,628,705**	**1,669,422**	**1,711,158**	**1,753,937**	**1,797,785**
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	641,013	666,654	693,320	721,053	749,895	779,890	811,086	843,530	877,271	912,362
Replacement Reserve	40,320	42,336	42,336	42,336	42,336	42,336	44,453	44,453	44,453	44,453
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	7,074	7,215	7,360	7,507	7,657	7.810	7,966	8,126	8,288	8,454
TOTAL EXPENSES	**688,407**	**716,205**	**743,015**	**770,895**	**799,888**	**830,037**	**863,505**	**896,108**	**930,012**	**965,268**
NET OPERATING INCOME	**751,131**	**759,321**	**769,399**	**779,329**	**789,092**	**798,668**	**805,917**	**815,050**	**823,925**	**832,517**
DEBT SERVICE										
CHFA - 1st Mortgage	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	**189,186**	**197,376**	**207,454**	**217,384**	**227,148**	**236,723**	**243,972**	**253,105**	**261,980**	**270,572**
DEBT COVERAGE RATIO	**1.34**	**1.35**	**1.37**	**1.39**	**1.40**	**1.42**	**1.43**	**1.45**	**1.47**	**1.48**

Cash Flow

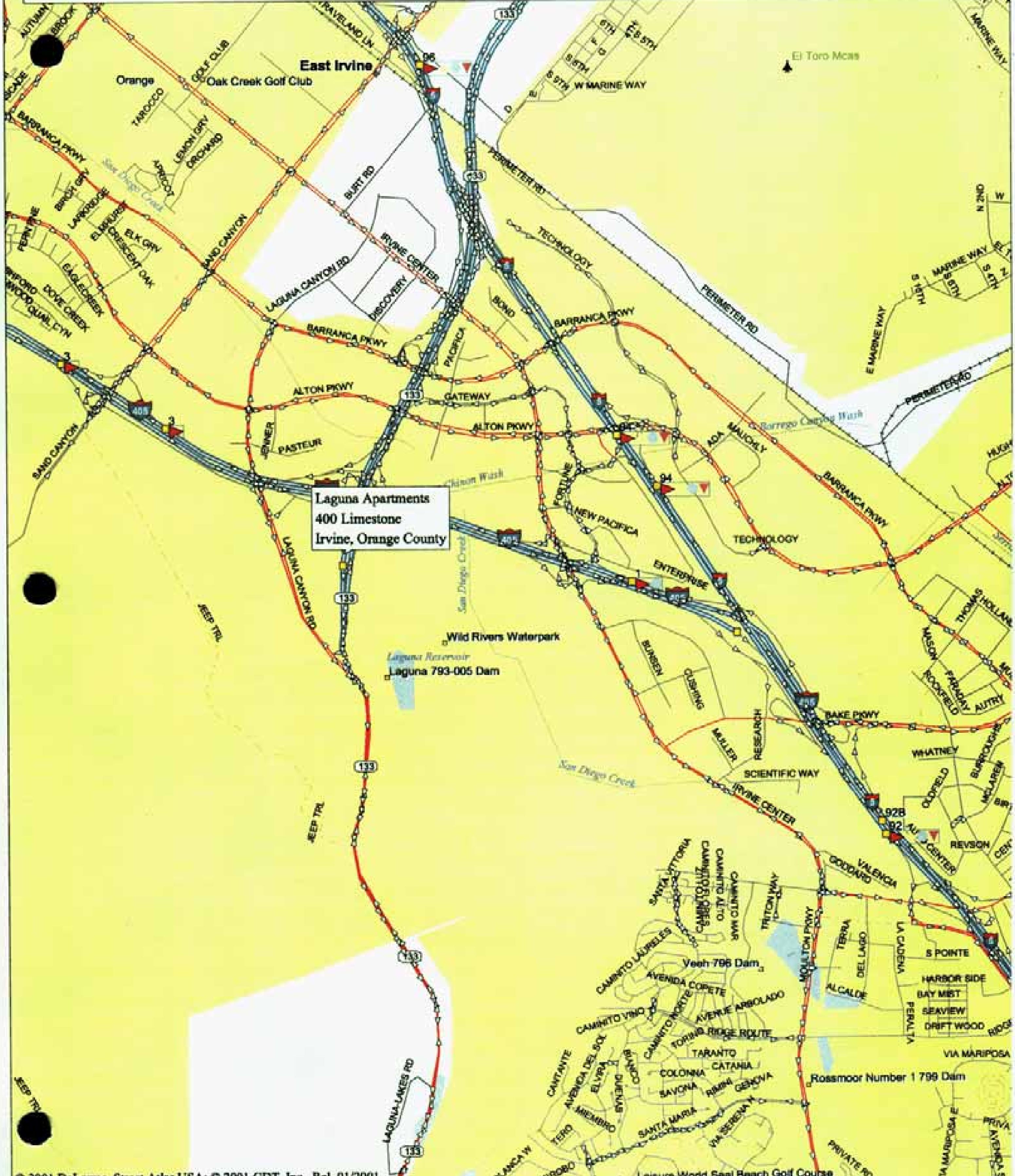
RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,920,839	1,968,860	2,018,081	2,068,533	2,120,246	2,173,253	2,227,584	2,283,274	2,340,355	2,398,864
TOTAL RENTAL INCOME	**1,920,839**	**1,968,860**	**2,018,081**	**2,068,533**	**2,120,246**	**2,173,253**	**2,227,584**	**2,283,274**	**2,340,355**	**2,398,864**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	18,877	19,349	19,833	20,328	20,837	21,357	21,891	22,439	23.000	23.575
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**18,877**	**19,349**	**19,833**	**20,328**	**20,837**	**21,357**	**21,891**	**22,439**	**23,000**	**23,575**
GROSS INCOME	**1,939,715**	**1,988,208**	**2,037,914**	**2,088,861**	**2,141,083**	**2,194,610**	**2,249,475**	**2,305,712**	**2,363,355**	**2,422,439**
Vacancy Rate :Market	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
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	96,986	99,410	101,896	104,443	107,054	109,731	112,474	115,286	118,168	121,122
EFFECTIVE GROSS INCOME	**1,842,730**	**1,888,798**	**1,936,018**	**1,984,418**	**2,034,029**	**2,084,880**	**2,137,002**	**2,190,427**	**2,245,187**	**2,301,317**
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	948,856	986,810	1,026,283	1,067,334	1,110,027	1,154,428	1,200,606	1,248,630	1,298,575	1,350,518
Replacement Reserve	44,453	46,675	46,675	46,675	46,675	46,675	49,009	49,009	49,009	49,009
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	8,623	8,795	8,971	9,151	9,334	9,520	9,711	9,905	10,103	10,305
TOTAL EXPENSES	**1,001,932**	**1,042,281**	**1,081,929**	**1,123,160**	**1,166,037**	**1,210,624**	**1,259,326**	**1,307,544**	**1,357,687**	**1,409,832**
NET OPERATING INCOME	**840,798**	**846,517**	**854,088**	**861,258**	**867,992**	**874,255**	**877,676**	**882,882**	**887,500**	**891,484**
DEBT SERVICE										
CHFA - **1st** Mortgage	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945	561,945
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	**278,853**	**284,572**	**292,144**	**299,314**	**306,048**	**312,311**	**315,731**	**320,938**	**325,555**	**329,540**
DEBT COVERAGE RATIO	**1.50**	**1.51**	**1.52**	**1.53**	**1.54**	**1.56**	**1.56**	**1.57**	**1.58**	**1.59**

Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Market Rents	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	2,458,836	2,520,307	2,583,314	2,647,897	2,714,095
TOTAL RENTAL INCOME	2,458,836	2,520,307	2,583,314	2,647,897	2,714,095
OTHER INCOME					
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	24,164	24,768	25,387	26,022	26,673
Other Income	0	0	0	0	0
TOTAL OTHER INCOME	24,164	24,768	25,387	26,022	26,673
GROSS INCOME	2,483,000	2,545,075	2,608,702	2,673,919	2,740,767
Vacancy Rate : Market	7.00%	7.00%	7.00%	7.00%	7.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	124,150	127,254	130,435	133,696	137,038
EFFECTIVE GROSS INCOME	2,358,850	2,417,821	2,478,267	2,540,223	2,603,729
OPERATING EXPENSES					
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	1,404,539	1,460,720	1,519,149	1,579,915	1,643,112
Replacement Reserve	49,009	51,460	51,460	51,460	51,460
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	10,511	10,722	10,936	11,155	11,378
TOTAL EXPENSES	1,464,059	1,522,901	1,581,545	1,642,529	1,705,949
NET OPERATING INCOME	894,791	894,920	896,722	897,694	897,780
DEBT SERVICE					
CHFA - 1st Mortgage	561,945	561,945	561,945	561,945	561,945
CHFA - Bridge Loan					
CHFA - HAT Loan (amortizing)					
CASH FLOW after debt service	332,846	332,975	334,777	335,749	335,835
DEBT COVERAGE RATIO	1.59	1.59	1.60	1.60	1.60

Laguna Canyon Apartments 836

LAGUNA CANYON APARTMENTS



RESOLUTION 02-19

RESOLUTION AUTHORIZING A ***FINAL*** LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Laguna Canyon Housing Associates, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 120-unit multifamily housing development located in the City of b i n e to be known as Laguna Canyon Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 27,2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 8,2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
02-025-S	Laguna Canyon Apartments Irvine/Orange	120	$8,360,000

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

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

I hereby certify that this is a true and correct copy of Resolution 02-19 adopted at a duly constituted meeting of the Board of the Agency held on September 12,2002, at Burbank, California.

ATTEST: ________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Gateway Santa Clara Senior Housing Development

CHFA Loan # 02-029-L and 02-029-N

SUMMARY:

This is a Final Commitment request for a tax-exempt loan funding to Bank of America, under the California Housing Finance Agency ("CHFA" or "Agency") Loan to Lender Program, in the amount of $5,170,000 for two years at 3.00%. After the two year construction period, the loan will be paid down and CHFA will finance a permanent loan in the amount of $2,270,000 for thirty years at 5.75%. The proposed 42-unit project is the Gateway Santa Clara Senior Housing Development located on two parcels at the corner of Washington Avenue & El Camino Real in the City and County of Santa Clara.

LOAN TERMS:

Loan to Lender:	$5,170,000
Interest Rate:	3.0%
Term:	Two Years, Interest Only
Financing:	Tax-Exempt
First Mortgage:	$2,270,000
Interest Rate:	5.75%
Term:	Thirty Years Fixed, Fully Amortized
Financing:	Tax-Exempt

LOCALITY INVOLVEMENT:

The borrower has received commitments from the City of Santa Clara for acquisition and development loans totaling $4,932,033. The terms for the loans will be 30 years, at 3.00% simple interest, with residual receipt payments. The locality will be monitoring the project during construction to ensure that prevailing wages are being paid.

PROJECT DESCRIPTION:

A. Site Design

The land is zoned high density residential allowing for up to 99 units per acre. The site is approximately .42 acres which is sufficient to construct the proposed project. Prior to the mid 1960's, a portion of the site was a single family residence with an artesian well which has since dried up. The remaining portion of the lot was used as a parking lot for a hamburger restaurant which was demolished in 1997 when El Camino Real was widened. The site is currently level and vacant at this time.

B. Project Description

The project will consist of a 3 story structure, built on a podium about five feet above grade that will cover a 27 space semi-subterranean parking structure. There will be forty 1 bedroom/1 bath units averaging 510 square feet and two 2 bedroom/1.5 bath units averaging 875 square feet.

The building will be a "Mission" style with wood framing, stucco siding, tile roof, elevator, stairway, and trash chute. The building entrance and parking areas will be gated.

Unit amenities will include forced air furnaces, room air conditioning, balconies and garbage disposals. Project amenities will include a lobby, laundry room, interior tiled courtyard with a fountain, minor landscaping and seating, a game/meeting room, and a computer room. Tenants will receive free counseling services and transportation passes for the light rail and bus lines.

C. Project Location

The project is located near downtown Santa Clara, southwest of the San Jose Airport in Santa Clara County. The project area is mixed use with commercial sites along El Camino Real to the west, north and east and with residential buildings to the south, along Washington Street.

The senior center which is less than 114 mile from the proposed site, provides health and wellness classes, counseling families for aging, low cost nutritional meals, internet classes, and recreational classes. Shopping and restaurants are located along El Camino Real and the bus stop is directly in front of the site.

MARKET:

A. Market Overview

Santa Clara is a progressive community, known for low crime rates and high quality municipal services. The site is located approximately 45 miles south of San Francisco, and a few miles southwest of the San Jose airport. A recent market study by Hulberg & Associates, Inc. determined that the Primary Market Area (PMA) is large due to a growing senior population, and the assumption that the criteria for retirement would include moving to a location that provides for the needs of the renter.

The market area covers a large portion of the northerly area of Santa Clara County including the cities of San Jose, Santa Clara, Sunnyvale, Milpitas, Mountain View, Cupertino, Campbell, and the Towns of Los Gatos and Saratoga. Within Santa Clara County, the median price of a detached single family home is $459,000 and within the City of Santa Clara, the median price is $483,000. Average one bedroom rents for comparable rental projects are $950/month and average two bedroom rents are $1,300 per month. Occupancy rates are high and demand for affordable housing is very strong.

B. Market Demand

A survey of advertised senior apartments in the PMA indicated that there are approximately 38 projects. Upon further investigation the study found that many of the projects were not restricted to seniors, and most of those that were, offered additional services with varying degrees of care facilities. Only four of the senior projects offered rents without added services. Average vacancy rates among the four projects were less than 1%.

The market rate rental vacancy rates have increased over the past few years due to the Silicon Valley dot-com fallout. However, the long-term outlook for the market remains stable due to the fact that Santa Clara County is a regional employment center and its economic base is diverse. In addition, only 30% of Santa Clara County residents can afford the median priced home, a fact which bodes well for rental housing demand in general and affordable housing in particular.

C. Housing Supply

In Santa Clara County, 2,450 new rental units were constructed in 2001 and it is estimated that another 2,450 units will commence construction this year for a total of 4,900 units. Within these 4,900 units, only two projects with 108 units are targeted for senior housing – one of which is the subject property. The other project is a 66 unit affordable senior housing project which is located in San Jose at Almaden Road. The project was completed in May 2002 and is fully occupied.

In addition to the senior housing projects noted in the market study, recent research has revealed that there are two other affordable senior projects which were recently completed and are leasing at rents at 50% of median, with full occupancy expected by the end of September. In Santa Clara, a 100 unit affordable senior housing project is under construction and will commence leasing units at 50% of median income starting in December 2002. It is anticipated that all of these projects will be fully occupied by the time the subject project has started its marketing efforts.

PROJECT FEASIBILITY:

Rent Differentials (Market vs. Restricted)

One Bedroom Rent Level	Subject Project	Mkt.Rate Avg.	Rent Difference	% of Market
45%	$774	$950	$176	82 %
50%	$855		$95	90 %
Two Bedroom Rent Level	**Subject Project**	**Mkt.Rate Avg.**	**Rent Difference**	**% of Market**
60% of median	$1,170	$1,400	$230	84 %

B. Estimated Lease-Up Period

Affordable senior rental housing is in very short supply in Santa Clara and with the high cost of living and high price for home ownership, indications are that the absorption for this project will be around 8 to 10 units per month, for a total lease-up period of five months.

OCCUPANCY RESTRICTIONS:

CHFA: 20% of the units (9) will be restricted to 50% or less of median income.

TCAC: 100% of the units (41) will be restricted to 60% or less of median income.

CITY: 45% of the units (19) will be restricted to 45% or less of median income.
50% of the units (21) will be restricted to 50% or less of median income.
5% of the units (2) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

An Environmental Site Assessment was prepared in February 1999 by Earth Systems Consultants. The assessment identified four facilities within a 1/8-mile radius of the site that reported regulatory violation and/or generated, stored, or disposed of hazardous materials. The closest site is adjacent to the subject property on the north side of El Camino Real where six gasoline underground storage tanks were located. Further review indicated petroleum contamination in the groundwater beneath the adjacent site, but the groundwater flow direction in the vicinity is generally toward the northwest to northeast. The assessment indicates that the potential for large-scale regulated contamination on the subject site appears to be low and they do not believe that further environmental work at this site is necessary. An updated Phase I is being completed and review and approval of the Phase I is a condition of the final commitment.

Noise and seismic studies have been ordered but have not yet been received. The final commitment will include the condition that these reports and their findings be acceptable to the Agency.

ARTICLE 34:

The City of Santa Clara has project specific Article 34 authority. An opinion letter, acceptable to the Agency, will be required prior to permanent loan close.

DEVELOPMENT TEAM:

A. Borrower's Profile

One parcel of the subject property is owned by Gateway Santa Clara, LLC. The second parcel is owned by the City of Santa Clara. Prior to construction loan closing, ownership of both parcels will be transferred to a yet to be formed limited partnership with a non-profit corporation affiliated with Ecumenical Association for Housing ("EAH") being the managing general partner.

Gateway Santa Clara, LLC (the "LLC") was established by nine private parties for the purpose of developing the subject property. The LLC is managed by two individuals with approximately 50 years of affordable housing experience between them.

EAH was formed in 1973 to develop moderate and low cost housing. They have developed and consulted in the development of 64 projects with a total of 4,566 units; 45 of the projects were new construction with a total of 2,270 units and 19 acquisition/rehab project with 2,296 units. EAH will manage the subject property upon its completion.

B. Contractor

The project will be constructed by Dow Builders, currently owned by Rosa Maria Pollard who is a member of the LLC. Dow Builders has been the contractor for 11 affordable rental developments, 5 residential projects, 2 single family developments, and 15 commercial developments over the past 15 years.

C. Architect

The architect is Thacher and Thompson Architects who was formed in 1973. The principals of the firm have 36 years of combined experience in residential development specializing in renovations or construction of small to medium size housing projects.

D. Management Agent

EAH, Inc. will own and manage the project. They currently own and/or manage 58 projects in California with a total of 5,324 units.

Project Summary

848

Date: 26-Aug-02

Project :	Gateway Santa Clara		
Location:	Washington Ave & El Camino		
	Santa Clara 95050	***Cap Rate:***	0.00%
County:	Santa Clara	***Market:***	$0
Borrower:	a yet to be formed L.P.	***Income:***	$0
GP:	EAH. Inc.	***Value Est.***	$4,400,000
GP:	***0***		
LP:	***0***	***LTC/LTV:***	
Program:	Tax-Exempt	***Loan/Cost***	22.7%
CHFA # :	02-029-:L & 02-029-N	***Loan/Value***	51.6%

Project Description:

Units	42
Handicap Units	2
Bldge Type	New Const.
Buildings	1
Stones	3
Gross Sq Ft	23.902
land Sq Ft	18.395
Units/Acre	99
Total Parking	27
Covered Parking	27

Street Parking is Available

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$2,270,000	$54,048	5.75%	30
City of Santa Clara	$4,932,033	$117,429	3.00%	40
Deferred Developer Equity	$0	$0		
Tax Credit Equity	$2,779,598	$66,181		
CHFA Loan to Lender	$5,170,000	$123,095	3.00%	2

Unit Mix:

Type	Manager		45% AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			19	774	21	855	0	0	0	0	41
2 bedroom	1	1170	0	0	0	0	1	1170	0	0	1
3 bedroom			0	0	0	0	0	0	0	0	0
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	1		19		21		1		0		
											42

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	1.00% of Tax-Exempt Loan to Lender	$51,700	Cash
Finance fees	1.00% of Perm. Loan Amount	$22,700	Cash
Escrows			
Bond Origination Guarantee	1.00% of tax-exempt loan to lender	$57.850	Letter of Credit
Inspection fee	$1,500 x months of construction	$27.000	Cash
Construction Defect	2.50% of Hard Costs	$108.060	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$42,253	Cash
Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Cash
Annual Replacement Reserve	$275 per unit	$11,550	Operations

Sources and Uses

Gateway Santa Clara

SOURCES:

Name of Lender/ Source		Amount		$ Per Unit	% of Total
CHFA First Mortgage	$	2,270,000	$	54,048	0.54%
City of Santa Clara	$	4,932,033	$	117,429	1.18%
Total Institutional Financing	$	**7,202,033**	$	**171,477**	**1.72%**
Equity Financing					
Tax Credits	$	2,779,598	$	66,181	0.66%
Deferred Developer Equity	$	-	$		
Total Equity Financing	**$**	**2,779,598**	$	**66,181**	**0.66%**
TOTAL SOURCES	$	**9,981,631**	$	**237,658**	**2.38%**

USES:

Acquisition	$	1,021,901	$	24,331	0.24%
New Construction	$	5,457,594	$	129,943	1.30%
Architectual Fees	$	506,122	$	12,051	0.12%
Survey and Engineering	$	75,000	$	1,786	0.02%
Const. Loan Interest & Fees	$	775,470	$	18,464	0.18%
Permanent Financing	$	121,500	$	2,893	0.03%
Legal Fees	$	103,900	$	2,474	0.02%
Reserves	$	104,079	$	2,478	0.02%
Contract Costs	$	13,500	$	321	0.00%
Construction Contingency	$	408,969	$	9,737	0.10%
Local Fees	$	175,000	$	4,167	0.04%
TCAC Fees	$	22,901	$	545	0.01%
Other Costs	$	76,500	$	1,821	0.02%
PROJECT COSTS	**$**	**8,862,444**	**$**	**211,011**	**2.11%**
Developer Overhead/Profit	$	1,084,187	$	25,814	0.26%
Consultant/Processing Agent	$	35,000	$	833	0.01%
TOTAL USES	**$**	**9,981,631**	$	**237,658**	**2.38%**

Annual Operating Budget — Gateway Santa Clara

				$ per unit
INCOME:				
Total Rental Income	$	420,012	$	10,000
Laundry	$	2,520	$	60
Other Income	$	-	$	
Commercial/Retail	$	-	$	-
Gross **Potential Income (GPI)**	$	**422,532**	$	**10,060**
Less:				
Vacancy Loss	$	21,127	$	**503**
Total Net Revenue	$	**401,405**	$	**9,557**
EXPENSES:				
Payroll	$	66,388	$	1,581
Administrative	$	45,974	$	1,095
Utilities	$	22,974	$	547
Operating and Maintenance	$	29,630	$	705
Insurance and Business Taxes	$	26,102	$	621
Taxes and Assessments	$	2,400	$	57
Reserve for Replacement Deposits	$	11,550	$	275
Subtotal Operating Expenses	$	**205,018**	$	**4,881**
Financial Expenses				
Mortgage Payments (1st loan)	$	158,965	$	3,785
Total Financial	$	**158,965**	$	**3,785**
Total Project Expenses	$	**363,983**	$	**8,666**

Cash Flow

Gateway Santa Clara — **CHFA Development Number: 02-029-:L & 02-02**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year5	Year6	Year7	Year8	Year9	Year10
Market Rent Increase	0	0	0	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	420,012	430,512	441,275	452,307	463,615	475,205	487,085	499,262	511,744	524,537
TOTAL RENTAL INCOME	**420,012**	**430,512**	**441,275**	**452,307**	**463,615**	**475,205**	**487,085**	**499,262**	**511,744**	**524,537**
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	2,520	2,583	2,648	2,714	2,782	2,851	2,922	2,995	3,070	3,147
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**2,520**	**2,583**	**2,648**	**2,714**	**2,782**	**2,851**	**2,922**	**2,995**	**3,070**	**3,147**
GROSS INCOME	**422,532**	**433,095**	**443,923**	**455,021**	**466,396**	**478,056**	**490,008**	**502,258**	**514,814**	**527,685**
Vacancy Rate :Market	0	0	0	0	0	0	0	0	0	0
Vacancy Rate :Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	21,127	21,655	22,196	22,751	23,320	23,903	24,500	25,113	25,741	26,384
EFFECTIVE GROSS INCOME	**401,405**	**411,441**	**421,727**	**432,270**	**443,076**	**454,153**	**465,507**	**477,145**	**489,074**	**501,300**
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	191,068	198,710	206,659	214,925	223,522	232,463	241,761	251,432	261,489	271,949
Replacement Reserve	11,550	11.550	11,550	11,550	11,550	12,128	12,128	12,128	12,128	12,128
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	2,400	2,448	2,497	2,547	2,598	2,650	2,703	2,757	2,812	2,868
TOTAL EXPENSES	**205,018**	**212,708**	**220,706**	**229,022**	**237,670**	**247,240**	**256,592**	**266,316**	**276,429**	**286,944**
NET OPERATING INCOME	**196.388**	**198.732**	**201.021**	**203.248**	**205.407**	**206.913**	**208.916**	**210.829**	**212.645**	**214.356**
DEBT SERVICE										
CHFA - 1st Mortgage	158,965	158,965	158,965	158,965	158,965	158,965	158,965	158,965	158,965	158,965
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan (amortizing)	0	0	0	0	0					
CASH FLOW after debt service	**37,423**	**39,767**	**42,056**	**44,283**	**46,441**	**47,948**	**49,950**	**51,863**	**53,680**	**55,391**
DEBT COVERAGE RATIO	**1.24**	**1.25**	**1.26**	**1.28**	**1.29**	**1.30**	**1.31**	**1.33**	**1.34**	**1.35**

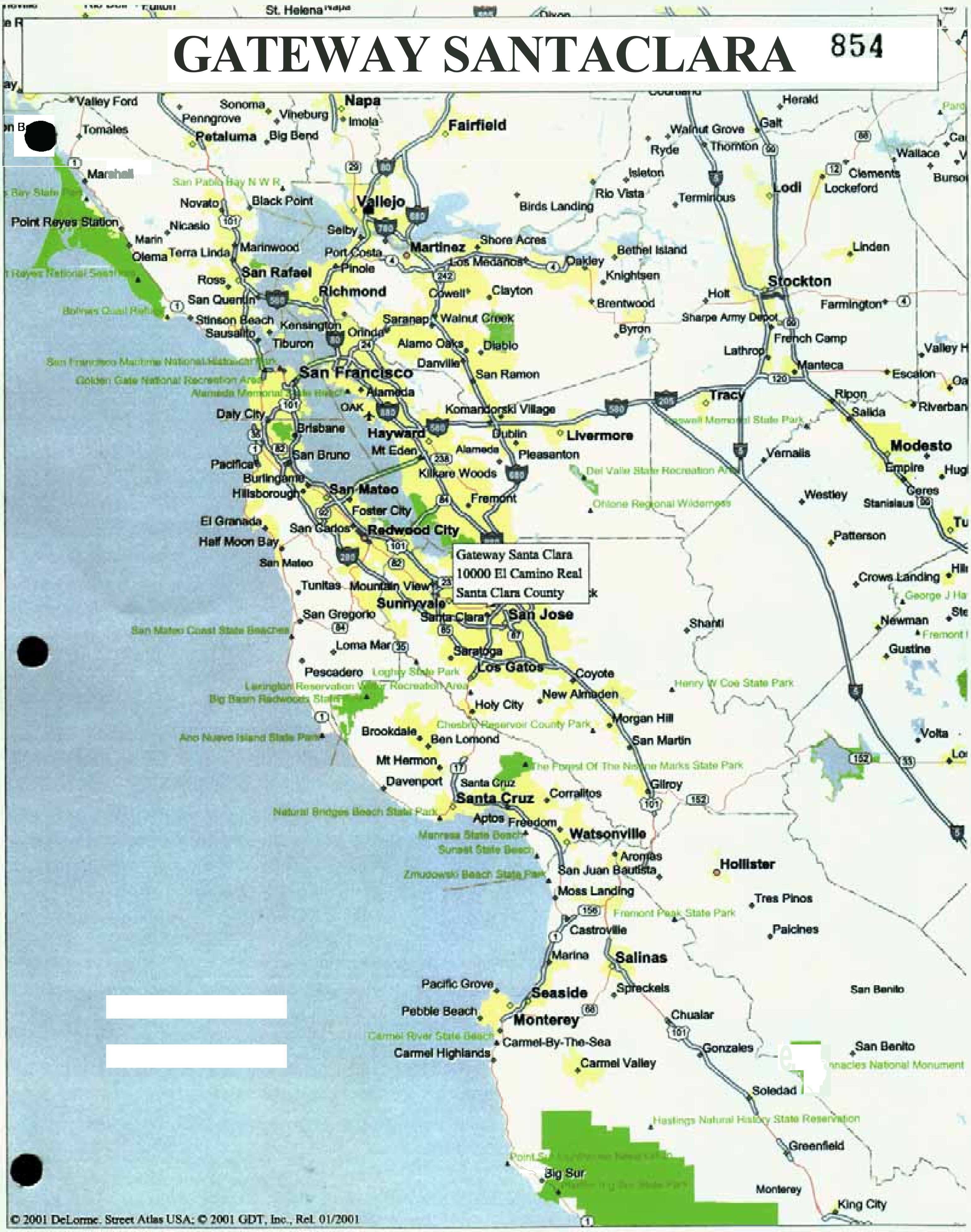
Cash Flow 29-N

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	537,651	551,092	564,869	578,991	593,466	608,303	623,510	639,098	655,075	671,452
TOTAL RENTAL INCOME	**537,651**	**551,092**	**564,869**	**578,991**	**593,466**	**608,303**	**623,510**	**639,098**	**655,075**	**671,452**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	3,226	3,306	3,389	3,474	3,561	3,650	3,741	3,834	3,930	4,029
Other Income	0	0	0	*0*	*0*	*0*	*0*	0	0	0
TOTAL OTHER INCOME	**3,226**	**3,306**	**3,389**	**3,474**	**3,561**	**3,650**	**3,741**	**3,834**	**3,930**	**4,029**
GROSS INCOME	**540,877**	**554,399**	**568,259**	**582,465**	**597,027**	**611,952**	**627,251**	**642,932**	**659,006**	**675,481**
Vacancy Rate :Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate :Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	27,044	27,720	28,413	29,123	29,851	30,598	31,363	32,147	32,950	33,774
EFFECTIVE GROSS INCOME	**513,833**	**526,679**	**539,846**	**553,342**	**567,175**	**581,355**	**595,889**	**610,786**	**626,055**	**641,707**
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	282,827	294,140	305,905	318,141	330,867	344,102	357,866	372,181	387,068	402,550
Replacement Reserve	12,734	12,734	12,734	12,734	12,734	13,371	13,371	13,371	13,371	13,371
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,926	2,984	3,044	3,105	3,167	3,230	3,295	3,361	3,428	3,496
TOTAL EXPENSES	**298,486**	**309,858**	**321,683**	**333,980**	**346,768**	**360,702**	**374,531**	**388,912**	**403,866**	**419,417**
NET OPERATING INCOME	**215,347**	**216,821**	**218,163**	**219,362**	**220,408**	**220,652**	**221,357**	**221,874**	**222,189**	**222,289**
DEBT SERVICE										
CHFA - 1st Mortgage	158,965	158,965	158,965	158,965	158,965	158,965	158,965	158,965	158,965	158,965
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	**56,382**	**57,856**	**59,197**	**60,397**	**61,442**	**61,687**	**62,392**	**62,909**	**63,224**	**63,324**
DEBT COVERAGE RATIO	**1.35**	**1.36**	**1.37**	**1.38**	**1.39**	**1.39**	**1.39**	**1.40**	**1.40**	**1.40**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	0	0	0	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	688,239	705,445	723,081	741,158	759,687	778,679	798,146	818,099	838,552	859,516
TOTAL RENTAL INCOME	688,239	705,445	723,081	741,158	759,687	778,679	798,146	818,099	838,552	859,516
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	4,129	4,233	4,338	4,447	4,558	4,672	4,789	4,908	5,031	5,157
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	4,129	4,233	4,338	4,447	4,558	4,672	4,789	4,908	5,031	5,157
GROSS INCOME	692,368	709,677	727,419	745,604	764,245	783,351	802,934	823,008	843,583	864,673
Vacancy Rate :Market	0	0	0	0	0	0	0	0	0	0
Vacancy Rate :Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	34,618	35,484	36,371	37,280	38,212	39,168	40,147	41,150	42,179	43,234
EFFECTIVE GROSS **INCOME**	657,749	674,193	691,048	708,324	726,032	744,183	762,788	781,857	801,404	821,439
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	418,652	435,399	452,815	470,927	489,764	509,355	529,729	550,918	572,955	595,873
Replacement Reserve	14,039	14,039	14,039	14,039	14,039	14.741	14,741	14,741	14,741	14,741
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	3,566	3,638	3,710	3,785	3,860	3,937	4,016	4,097	4,178	4,262
TOTAL EXPENSES	436,258	453,075	470,564	488,751	507,664	528,033	548,486	569,756	591,874	614,876
NET OPERATING INCOME	221,492	221,118	220,484	219,574	218,369	216,150	214,302	212,102	209,530	206,563
DEBT SERVICE										
CHFA - **1st** Mortgage	158,965	158,965	158,965	158,965	158,965	158.965	158.965	158.965	158.965	158.965
CHFA - Bridge **Loan**										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	62,526	62,153	61,519	60,608	59,404	57,185	55,336	53,137	50,564	47,598
DEBT COVERAGE RATIO	1.39	1.39	1.39	1.38	1.37	1.36	1.35	1.33	1.32	1.30

GATEWAY SANTACLARA 854



GATEWAY SANTA CLARA

RESOLUTION 02-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Gateway Santa Clara, LLC, (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amount described herein, the proceeds of which are to be used to provide financing for a 42-unit multifamily housing development located in the City of Santa Clara to be known as Gateway Santa Clara (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 26,2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 11,2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS		MORTGAGE AMOUNT
02-029-N	Gateway Santa Clara Santa Clara/Santa Clara	42	First Mortgage: Loan-to-Lender:	$2,270,000 **$5,170,000**

Resolution 02-20
Page 2

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) and modify the interest rate charged on the Loan-to-Lender loan based upon the then cost of funds without further Board approval.

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

I hereby certify that this is a true and correct copy of Resolution 02-20 adopted at a duly constituted meeting of the Board of the Agency held on September 12,2002, at Burbank, California.

ATTEST:________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Parkwood Senior Apartments

CHFA Ln. # 01-043-S

SUMMARY:

This is a Final Commitment request for a first mortgage, tax-exempt loan in the amount of $6,000,000 at 5.75%, amortized over thirty years. AHP California Assets LP is the owner and developer of the Parkwood Senior Apartments, a 101 unit, new construction project located at 4901 Prospect Avenue, Yorba Linda, CA, in Orange County.

LOAN TERMS:

1st Mortgage Amount:	$6,000,000
Interest Rate:	5.75%
Term:	30 year fixed, fully amortized
Financing:	Tax-Exempt

LOCALITY INVOLVEMENT:

The borrower has received $3,100,000 from the City of Yorba Linda Redevelopment Agency. The interest rate is **3%,** amortized over 55 years and repayment is from residual receipts.

PROJECT DESCRIPTION:

A. Site Design

The land is currently zoned RE, allowing 1.8 units per acre. The City Zoning Ordinance allows for development **of** senior housing through a conditional use permit entitled Senior Citizen Combining Zone, which allows for high density development (25 units per acre) **of** senior housing. The conditional use permit was approved by the Planning Commission and the City Council in July 2002.

The site currently contains several buildings associated with the previous landscape nursery operation, all of which will be demolished.

B. Project Description

The project will consist of five two-story walk-up residential buildings containing 101 stacked flats and one two-story recreation building. The construction will be wood frame on reinforced concrete slab, with stucco siding, concrete tile roof and parking at grade. The project will have gated access and perimeter fencing.

There are 80 one-bedroom, one-bath units (approximately 591 sq. ft.), 20 two-bedroom, one-bath units (approximately 785 sq. ft.) and one manager's unit which is a two-bedroom, 1 bath unit (847 sq. ft.). Unit amenities will include central heating and air, individual water heaters, balconies or patios with storage, dishwashers and garbage disposals. All units on the first floor are handicap accessible and three of the downstairs units are fully adaptable. Several project design features are oriented towards the senior population which include pre-wiring for an emergency call system, grab bars in the tub and front control panel range/oven. Each building will be pre-wired to support a wall-mounted elevator lift in the breezeway. Installation of an elevator is not a requirement of the Building Department however, should tenants require elevator access to the second floor, an elevator lift will be installed as necessary. The parking garage will have a total 101 open parking spaces and 40 garage spaces. Project amenities will include a large community room with a library, computer room, craft room, kitchen and two laundry rooms with 12 washers and 12 dryers.

Outdoor amenities include a swimming pool/spa, sundeck, horseshoe pit, garden area for residents and barbeque areas. The outside areas are located in the center of the project and are accessible from every unit.

There will be on-site activities and a learning program available for the residents which will be coordinated by a full time resident service director. The outreach program provided will include exercise classes, monthly seminars, English as a Second Language classes, a visiting nurse program, craft classes and monthly bus trips. In addition, van transportation will be provided weekly to residents, with regular destination points as desired by the residents.

C. Relocation

There will be no relocation of tenants or businesses for this development.

D. Project Location

The project is located in the City of Yorba Linda, which is in the northeast section of Orange County. The parcel is located at the southwest comer of Imperial Highway and Prospect Avenue in a neighborhood that is a mixture of residential and commercial development. The project is located within the Town Center Redevelopment Project

Area, which was established in 1990 to eliminate blighted conditions which existed at the time, such as vacant lots, obsolete buildings and lack of parking.

To the south of the project are older single family homes and a small landscape nursery. To the west of the site is a church and preschool facility. To the north of the site is new commercial development including a strip shopping center. A large super market chain is located one block west of the property. Major medical facilities, a new senior center, a large park and transportation are located less than a mile from the subject property. Public transportation is available to all major business districts of the City.

MARKET:

A. Market Overview

The site is located in Orange County, near the Los Angeles and Riverside county lines. The city of Yorba Linda incorporated in 1967 and as of January 2002, the population was 60,800. According to a market study performed in July 2002 by National Survey Systems, Yorba Linda in an upper-income, low density community characterized by low crime, excellent schools and single-family properties built on large lots. The majority of the housing in the PMA is single family (60%) and in the last five years, only 278 units of multi-family housing have been permitted.

A market study update ("the market study"), prepared by National Survey Systems in July 2002 defines the Yorba Linda Primary Market Area ('PMA") as the cities of Yorba Linda, Placentia and portions of Brea and Fullerton. Within this PMA, an estimated **144,310** residents reside, with **41%** living in Yorba Linda. The 2001 median household income in the PMA was 26% higher than that of Orange County ($83,140 vs. $65,752), and the median income of Yorba Linda at $1 12,367 is 71% higher than that of the PMA.

B. Market Demand

The market study reviewed twelve projects in the PMA, consisting of eight market rate, general occupancy projects totaling 1,835 units and four age restricted, senior apartment projects totaling 402 units, one of which is a 125 unit affordable senior housing project, known as Victoria Woods, which was developed by the borrower in 1997. The senior projects reviewed as part of the market study have age restrictions of 65+, although the average age is 71. Senior couples account for only 10% of the tenant population of the units surveyed.

According to the market study, as of June 2002, the four senior projects have a 98.8% occupancy rate and the affordable senior housing project had 100% occupancy rate with a one year waiting list. In the general occupancy projects, the occupancy rates for two-bedroodone-bath units are slightly higher than one-bedroodone-bath units, however, it should be noted that within the affordable housing project reviewed, there was no differentiation in occupancy rates for the various floor plans.

C. Housing Supply

Four senior projects were surveyed and 70% of the units surveyed were market rate. Of the income-restricted senior projects surveyed the majority are restricted to **60%** of median income. There are presently no existing units nor projects in the planning stages which are income-restricted. The four senior projects surveyed were relatively new, having been constructed in the past 10 years. Of the general occupancy units, the housing stock was primarily built in the 1970's and comprise of mostly one and two bedroom units. One of the senior projects surveyed, Hillcrest Village, is a 95 unit general occupancy project which has recently been remodeled and converted to senior housing. The project is in the leasing stages but due to the market rate rents, a long history as sub-standard housing and its inferior location, this project is not considered to have a competitive impact on the subject property.

The garden-style, walk-up design is common in this market and the majority of the senior units are one bedroom. The planned unit sizing of the subject project is comparable to, or larger than the average size of the existing senior projects surveyed, both in the affordable and market rate projects. The common amenities offered by the subject project, such as a pool, spa, clubhouse with leasing offices, kitchen and resident meeting areas, and laundry rooms will match local market standards for senior housing and general occupancy projects. The subject project exceeds the market standard by offering a computer center, crafts room, gardening area and barbeque area. The subject project offers **40** garaged parking spaces at an additional rental cost of **$25** per month, which is a typical amenity offered in other similar projects. Charging an additional fee for covered parking is also typical of similar projects.

PROJECT FEASIBILITY:

This project design, location, rents and amenities are expected **to** be well received by the senior population in the PMA. The management will provide programs that are targeted to the senior population as well **as** weekly transportation to desired services and facilities. The amenity package exceeds what is currently available in the PMA, and the market rents are far lower than what is currently available in the market.

The market study indicates that with the affordable rent structure is 8% to 29% below the average rent for similar floor plans. Within the PMA, there is only one other affordable senior housing project which is 100% occupied and there are presently no other affordable housing projects at the permit or construction stages.

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Mkt.Rate Avg.	Difference	% of Market
One Bedroom		**$840**		
50%-CHFA	**$597**		**$243**	**71%**
50%-TC AC	$669		**$171**	**80%**
60%	**$745**		**$95**	**89%**
Bedroom		$990		
50%-CHFA			$289	71%
50%-TCAC	**$775**		$215	78%
60%	$850		**$140**	86%

B. Estimated Lease-Up Period

According to the market study, stabilized occupancy is expected to be achieved within **six** months of issuance of the Certificate of Occupancy at a rate of 16 units per month. The developer anticipates commencing the marketing efforts five months prior to completion of the project, which may result in a faster absorption after completion than is indicated in the marketing report.

OCCUPANCY RESTRICTIONS:

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

RDA: **20%** of the units (20) will be restricted to **40%** or less of median income.
50% of the units (50) will be restricted to 50% or less of median income.
30% of the units (30) will be restricted to 60% or less of median income.

TCAC: 50% of the units (50) will be restricted to 50% or less of median income.
30% of the units (30) will be restricted to **60%** or less of median income.

ENVIRONMENTAL:

The property has historically been used as agricultural and as a landscape nursery. It is located within the region known as the Coyote East oil field, and has had 3 operating oil wells dating back to 1956. The oil operation includes three above ground storage tanks, an above ground separator for separating the crude oil from other fluids and underground pipelines serving the oil well operation. Of the three oil wells, two are presently in use and are producing oil.

A Phase I Environmental Assessment Report encompassing the entire site was prepared on July 16, 2001 by Xarax Environmental & Engineering Solutions Inc. The report states that the potential exists for contamination from the oil wells as well as possible pesticide contamination from agricultural and landscape uses. The report recommends that the present wells be abandoned, removed and subsurface soils tested and remediated as necessary.

The borrower will order a Phase II Environmental Report to assess the site conditions and recommend remediation based on findings. This report is scheduled for completion by mid-September. A noise report and geotechnical survey has been completed and is under review. The final commitment will require that these reports and their findings be acceptable to the Agency.

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 AHP California Assets, L.P., a California limited partnership, with AHP California Assets Inc., a California corporation ("AHP") as the managing general partner. AHP has developed or rehabilitated six multifamily projects with a total of 1,561 units over the past five years, five of which have been developed in California. Of the five projects developed in California, 514 units are affordable. Two of these projects, Victoria Woods San Bernadino and Victoria Woods Yorba Linda, were financed by CHFA and are affordable to low income seniors. AHP will oversee the marketing, leasing and management of the project.

B. Contractor

American Housing Partners Inc. acts as general contractor on the projects that the company develops, all of which are multifamily housing projects. American Housing Partners also built the two projects financed by CHFA.

C. Architect

SSA & Associates is the architect on the project and was founded in 1978. The company focuses exclusively on multifamily residential architecture and over the past 16 years has been the architect and project manager in charge of the design, supervision and construction for the projects developed by American Housing Partners, including the two projects financed by CHFA. The principal of SSA & Associates is also a principal of

American Housing Partners. Because of this relationship an outside architect, Woods Associates, will be the inspecting architect and will certify project completion, which is the arrangement on projects previously financed by CHFA.

D. Management Agent

American Housing Partners Inc. will manage the project and is the property manager for all of the multifamily projects developed and owned by the company. American Housing Partners currently manages seven projects totaling 1,037 units, five of which are senior housing.

Project Summary

867

Date: 26-Aug-02

Project Profile:

Project :	Parkwood		
Location:	Imperial Highway & Prospect Avenue		
	Yorba Linda 92886	*Cap Rate:*	7.75%
County	Orange	*Market:*	$9,700,000
Borrower:	TBD	*Income:*	$9,625,000
GP:	AHP California Assets, L.P.	*Final Value:*	$9,625,000
LP:	John Hancock Realty Fund	***LTC/LTV:***	
Program:	Tax Exempt	*Loan/Cost*	50.7%
CHFA # :	01-043-S	*Loan/Value*	62.3%

Project Description:

Units	101
Handicap Units	3
Bldge Type	New Const.
Buildings	8
stories	2
Gross Sq Ft	67,650
Land Sq Ft	204,443
Units/Acre	22
Total Parking	141
Covered Parking	40

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$6,000,000	$59,406	5.75%	30
CHFA HAT'	$0	$0	0.00%	
Yorba Linda RDA	$3,100,000	$30,693	3.00%	55
Soft Loan 1	$0	$0	0.00%	
Soft Loan 2	$0	$0	0.00%	
AHP	$0	$0	0.00%	
Grants	$0	$0	0.00%	
Contributions From Operations	$0	$0		
Borrower Contribution	$0	$0		
Deferred Developer Equity	$360,536	$3,570		
Tax Credit Equity	$2,383,330	$23,597		
CHFA Bridge	$0	$0	0.00%	-
CHFA HAT'	$0	$0	0.00%	-

Unit Mix:

Type	Manager		50% AMI-CHFA		50% AMI-TCAC		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			16	597	40	669	24	745	0	0	80
2 bedroom	1	960	4	701	10	775	6	850	0	0	21
3 bedroom			0	0	0	0	0	0	0	0	0
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	1		20		50		30		0		
											101

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	2.00% of Loan Amount	$120,000	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	$60,000	Letter of Credit
Inspection fee	$1,500 x months of construction	$19,500	Cash
Construction Defect	2.50% of Hard Costs	$118,295	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$87,088	Letter of Credit
Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Cash
Annual Replacement Reserve Deposit	0.60% of Hard Costs	$28,391	Operations

Sources and Uses — Parkwood

SOURCES:

Name of Lender / Source	Amount	$ Per Unit	% of Total
CHFA First Mortgage	6,000,000	59,406	50.7%
CHFA Bridge	0	0	0.0%
CHFA HAT*	0	0	0.0%
Yorba Linda RDA	3,100,000	30,693	26.2%
Soft Loan 1	0	0	0.0%
Other Loans	0	0	0.0%
Total Institutional Financing	**9,100,000**	**90,099**	**76.8%**
Equity Financing			
Tax Credits	2,383,330	23,597	20.1%
Deferred Developer Equity	360,536	4,570	3.0%
Total Equity Financing	**2,743,866**	**28,167**	**23.2%**
TOTAL SOURCES	**11,843,866**	**118,266**	**100.0%**

USES:

Acquisition	3,070,000	30,396	25.9%
Rehabilitation	0	0	0.0%
New Construction	5,527,747	54,730	46.7%
Architectual Fees	340,000	3,366	2.9%
Survey and Engineering	80,000	792	0.7%
Const. Loan Interest & Fees	518,647	5,135	4.4%
Permanent Financing	125,500	1,243	1.1%
Legal Fees	47,000	465	0.4%
Reserves	10,000	99	0.1%
Contract Costs	12,000	119	0.1%
Construction Contingency	300,000	2,970	2.5%
Local Fees	500,000	5,950	4.2%
TCAC Costs	43,910	435	0.4%
Other Costs	167,628	1,660	1.4%
PROJECT COSTS	**10,742,432**	**107,361**	**90.7%**
Developer Overhead/Profit	1,101,434	10,905	9.3%
Consultant/Processing Agent	0	*0*	0.0%
TOTAL USES	**11,843,866**	**117,266**	**100.0%**

Annual Operating Budget Parkwood

INCOME:

		$ per unit
Total Rental Income	849,672	8,413
Laundry	6,060	60
Other Income	15,150	150
Commercial/Retail	0	-
Gross Potential Income (GPI)	**870,882**	**8,623**
Less:		
Vacancy **Loss**	43,544	431
Total Net Revenue	**827,338**	**8,191**

EXPENSES:

Payroll	60,000	594
Administrative	92,966	920
Utilities	35,350	350
Operating and Maintenance	50,330	498
Insurance and Business Taxes	29,011	287
Taxes and Assessments	70,596	699
Reserve for Replacement Deposits	28,391	281
Subtotal Operating Expenses	**366,644**	**3,630**
Financial Expenses		
Mortgage Payments (1st loan)	420,172	4,160
Total Financial	**420,172**	**4,160**
Total Project Expenses	**786,816**	**7,790**

Cash Flow — Parkwood — CHFA # 01-043-S

RENTAL INCOME	Year1	Year2	Year3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Market Rent Increase	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Market Rents	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Affordable Rent Increase	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***
Affordable Rents	849,672	870,914	892,687	915,004	937,879	961,326	985.359	1,009,993	1,035,243	1,061,124
TOTAL RENTAL INCOME	**849,672**	**870,914**	**892,687**	**915,004**	**937,879**	**961,326**	**985,359**	**1,009,993**	**1,035,243**	**1,061,124**
OTHER INCOME										
Other Income Increase	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***
Laundry	6,060	6,212	6,367	6,526	6,689	6,856	7,028	7,203	7,384	7,568
Other Income-Parking	15,150	15,529	15,917	16,315	16,723	17,141	17,569	18,009	18,459	18,920
TOTAL OTHER INCOME	**21,210**	**21,740**	**22,284**	**22,841**	**23.412**	**23,997**	**24,597**	**25,212**	**25,842**	**26,488**
GROSS INCOME	**870,882**	**892,654**	**914,970**	**937,845**	**961,291**	**985,323**	**1,009,956**	**1,035,205**	**1,061,085**	**1,087,612**
Vacancy Rate :Market	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Vacancy Rate :Affordable	***5.00%***	***5.00%***	***5.00%***	***5.00%***	***5.00%***	***5.00%***	***5.00%***	***5.00%***	***5.00%***	***5.00%***
Less: Vacancy Loss	43,544	44,633	45,749	46,892	48,065	49,266	50,498	51,760	53,054	54,381
EFFECTIVE GROSS INCOME	**827,338**	**848,021**	**869,222**	**890,952**	**913,226**	**936,057**	**959,458**	**983,445**	**1,008,031**	**1,033,232**
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	267,657	278,363	289,498	301,078	313,121	325,646	338,671	352,218	366,307	380,959
Replacement Reserve	28,391	28,391	28,391	28,391	28,391	29,810	29,810	29,810	29,810	29,810
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	70,596	72,008	73,448	74,917	76,415	77,944	79,503	81,093	82,714	84,369
TOTAL EXPENSES	**366,644**	**378,762**	**391,337**	**404,386**	**417,927**	**433,400**	**447,984**	**463,121**	**478,832**	**495,138**
NET OPERATING INCOME	**460,694**	**469,259**	**477,885**	**486,567**	**495,299**	**502,657**	**511,474**	**520,324**	**529,199**	**538,093**
DEBT SERVICE										
CHFA - 1st Mortgage	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan (amortizing)	0	0	0	***0***	***0***					
CASH FLOW after debt service	**40,522**	**49,087**	**57,713**	**66,394**	**75,127**	**82,485**	**91,301**	**100,151**	**109,027**	**117,921**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.14**	**1.16**	**1.18**	**1.20**	**1.22**	**1.24**	**1.26**	**1.28**

Cash Flow

RENTAL INCOME	Year11	Year12	Year13	Year14	Year15	Year16	Year17	Year18	Year 19	Year20
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,087,652	1,114,843	1,142,714	1,171,282	1,200,564	1,230,578	1,261,343	1,292,876	1,325,198	1,358,328
TOTAL RENTAL INCOME	**1,087,652**	**1,114,843**	**1,142,714**	**1,171,282**	**1,200,564**	**1,230,578**	**1,261,343**	**1,292,876**	**1,325,198**	**1,358,328**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	7,757	7,951	8,150	8.354	8,563	8,777	8,996	9,221	9,452	9,688
Other Income -Parking	19,393	19,878	20,375	20,884	21,407	21,942	22,490	23,053	23,629	24,220
TOTAL OTHER INCOME	**27,151**	**27,829**	**28,525**	**29,238**	**29,969**	**30,718**	**31,486**	**32,274**	**33,080**	**33,907**
GROSS INCOME	**1,114,803**	**1,142,673**	**1,171,239**	**1,200,520**	**1,230,533**	**1,261,297**	**1,292,829**	**1,325,150**	**1,358,279**	**1,392,236**
Vacancy Rate :Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate :Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	55,740	57,134	58,562	60,026	61,527	63.065	64,641	66,257	67,914	69.612
EFFECTIVE GROSS INCOME	**1,059,062**	**1,085,539**	**1,112,677**	**1,140,494**	**1,169,007**	**1,198,232**	**1,228,188**	**1,258,892**	**1,290,365**	**1,322,624**
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	396,198	412,046	428.527	445,669	463,495	482,035	501,317	521,369	542,224	563,913
Replacement Reserve	31,301	31,301	31,301	31,301	31,301	32,866	32,866	32,866	32,866	32,866
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	86,056	87,777	89,533	91,323	93,150	95,013	96,913	98,851	100,828	102,845
TOTAL EXPENSES	**513,555**	**531,124**	**549,361**	**568,293**	**587,946**	**609,914**	**631,096**	**653,087**	**675,918**	**699,624**
NET OPERATING INCOME	**545,508**	**554,415**	**563,316**	**572,202**	**581,061**	**588,318**	**597,092**	**605,806**	**614,446**	**623,000**
DEBT SERVICE										
CHFA - **1st** Mortgage	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW **after** debt service	**125,335**	**134,243**	**143,144**	**152,029**	**160,888**	**168,146**	**176,920**	**185,633**	**194,274**	**202,828**
DEBT COVERAGE RATIO	**1.30**	**1.32**	**1.34**	**1.36**	**1.38**	**1.40**	**1.42**	**1.44**	**1.46**	**1.48**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	0	0	0	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,392,287	1,427,094	1,462,771	1,499,340	1,536,824	1,575,244	1,614,625	1,654,991	1,696,366	1,738,775
TOTAL RENTAL INCOME	1,392,287	1,427,094	1,462,771	1,499,340	1,536,824	1,575,244	1,614,625	1,654,991	1,696,366	1,738,775
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	9,930	10,178	10,433	10,694	10,961	11,235	11,516	11,804	12,099	12,401
Other Income -Parking	24,825	25,446	26,082	26,734	27,402	28,087	28,789	29,509	30,247	31,003
TOTAL OTHER INCOME	34,755	35,624	36,515	37,427	38,363	39,322	40,305	41,313	42,346	43,404
GROSS INCOME	1,427,042	1,462,718	1,499,286	1,536,768	1,575,187	1,614,567	1,654,931	1,696,304	1,738,712	1,782,179
Vacancy Rate : Market	0	0	0	0	0	0	0	0	0	0
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	71,352	73,136	74,964	76,838	78,759	80,728	82,747	84,815	86,936	89,109
EFFECTIVE GROSS INCOME	1,355,689	1,389,582	1,424,321	1,459,929	1,496,428	1,533,838	1,572,184	1,611,489	1,651,776	1,693,070
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	586,469	609,928	634,325	659,698	686,086	713,530	742,071	771,754	802,624	834,729
Replacement Reserve	34,509	34,509	34,509	34,509	34,509	36,235	36,235	36,235	36,235	36,235
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	104,902	107,000	109,140	111,323	113,549	115,820	118,137	120,499	122,909	125,368
TOTAL EXPENSES	725,881	751,437	777,974	805,530	834,145	865,585	896,442	928,488	961,768	996,331
NET OPERATING INCOME	629,809	638,144	646,347	654,399	662,283	668,254	675,742	683,001	690,008	696,739
DEBT SERVICE										
CHFA - **1st** Mortgage	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172	420,172
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	209,636	217,972	226,174	234,227	242,110	248,081	255,570	262,829	269,836	276,567
DEBT COVERAGE RATIO	1.50	1.52	1.54	1.56	1.58	1.59	1.61	1.63	1.64	1.66

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PARKWOOD APARTMENTS 874

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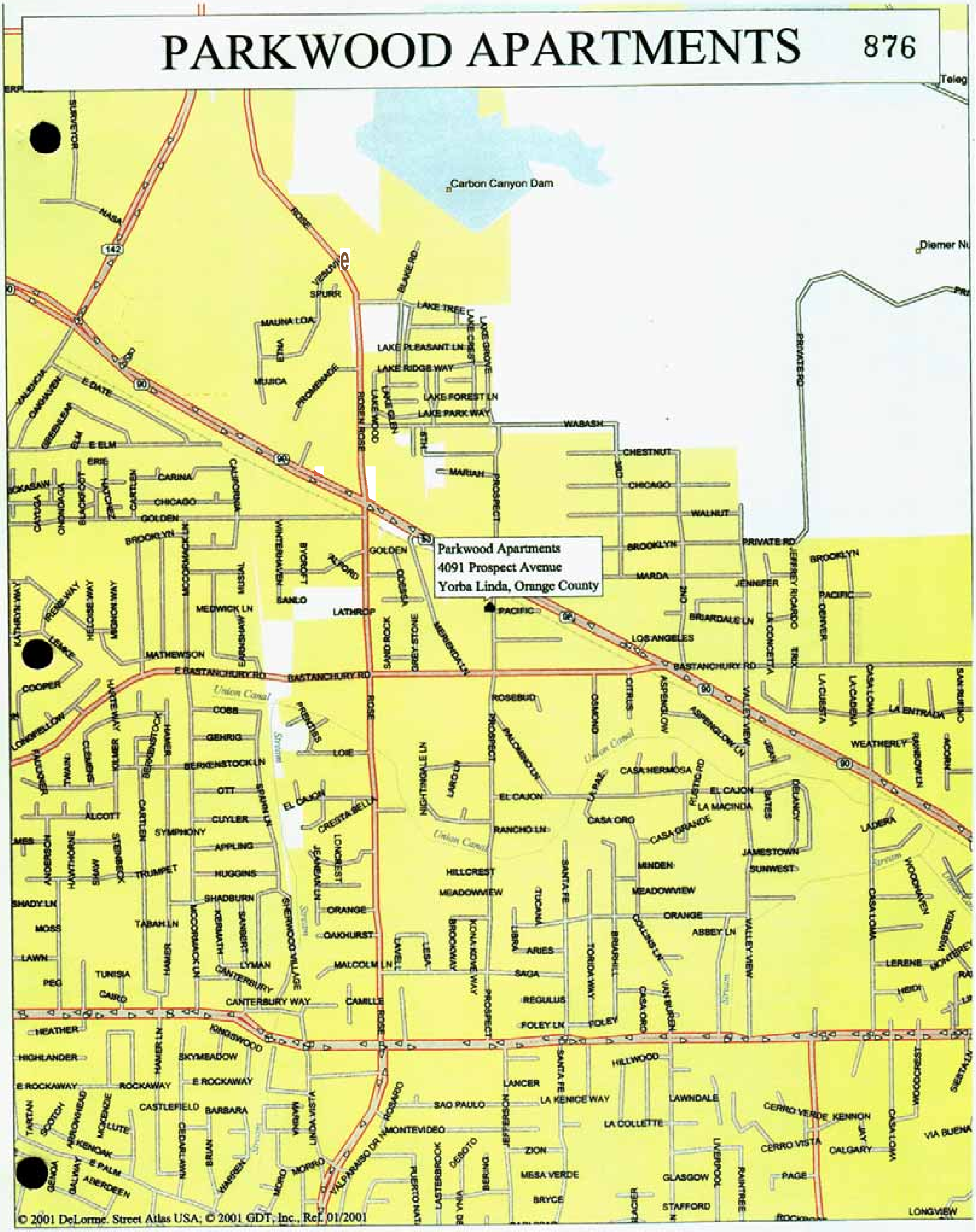
PARKWOOD APARTMENTS 876



RESOLUTION 02-21

RESOLUTION AUTHORIZING A *FINAL* LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from AHP California Assets, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 101-unit multifamily housing development located in the City of Yorba Linda to be known as Parkwood Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 26,2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on January 22,2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
01-043-S	Parkwood Apartments Yorba Linda/Orange	101	$6,000,000

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

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

I hereby certify that this is a true and correct copy of Resolution 02-21 adopted at a duly constituted meeting of the Board of the Agency held on September 12,2002, at Burbank, California.

ATTEST: ______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Cedar Park Apartments

CHFA Ln. # 02-027-N

SUMMARY:

This is a Final Commitment request for a tax exempt, first mortgage loan in the amount of $5,180,000 and a bridge loan in the amount of $540,000. Cedar Park Apartments is an 81 unit, new construction family project. The borrower will be Oregon Investors VIII, L.P., a limited partnership with Cascade Housing Association as general partner. The project is located at 2 10 Sutton Way, Grass Valley in Nevada County.

LOAN TERMS:

First Mortgage Amount:	**$5,180,000**
Interest Rate:	5.95%
Term:	40 year fixed, fully amortized
Financing:	Tax-Exempt
Bridge Loan	$540,000
Interest Rate:	5.95%
Term:	1 Year, simple interest
Financing:	Tax -Exempt

LOCALITY/OTHER INVOLVEMENT:

The project has received a $914,781 residual receipt, HOME loan from City of Grass Valley Community Development Department for forty years at 3.00%.

The City of Grass Valley Redevelopment Agency has provided the project a $30,000 grant to pay for City project fees.

PROJECT DESCRIPTION:

A. Site Design

The project site is 7.84 acres and is zoned R3 (Multifamily Residential) which is sufficient to construct the 81 unit family apartments. The zoning allows for a maximum density of 22 units per acre or 172 units on the project site. The site is vacant and has been partially graded.

B. Project Description

The project will consist of **81** apartments in fourteen, 2-story residential buildings, one community building, and a laundry. The buildings will be walk-up style flats of wood frame construction with composition shingle roofs.

The residential unit mix will consist of thirty-seven, 2 bedroom/1 bath units (830 SF); thirty-two, 3 bedroom/2 bath units (1,002 SF); and twelve, 4 bedroom/2.5 bath units (1,257 SF). There will be 180 parking spaces (81 carports and 99 open). Unit amenities include central heat and air conditioning, refrigerator, garbage disposal, electric range/oven with self-venting exhaust fan/hood, dishwasher, and deck or patio. Each unit will have a washer/dryer hook-up.

The community building will contain a multi-purpose community room, rental office, and computer room. The laundry will have 8 washer and 8 dryers. The project also includes open space areas, two BBQ areas, a basketball court, and a tot lot.

C. Project Location

The project is located at 210 Sutton Way, Grass Valley, approximately one mile northeast of historic downtown Grass Valley and three miles south of Nevada City. Grass Valley is located at the intersections of State Highway Routes 20, 49, and 174, twenty miles north of Auburn via Highway 49 in the foothills of western Nevada County and 60 miles northeast of Sacramento.

The project neighborhood consists of commercial, multifamily, and residential developments. The predominant land use is multifamily. Adjacent to the north of the project site is Oak Brook Apartments (80 units LIHTC), to the south are commercial office buildings, to the east is vacant land, and to the west is Springhill Apartments (121 affordable units). Commercial and retail services are approximately within a ½ mile radius north of the project near the intersection of Sutton Way and Brunswick Road.

MARKET:

A. Market Overview

The Grass Valley and Nevada City area in western Nevada County account for 80 percent of the County's employment base. As of January 1, 2002, the population of Grass Valley was 12,000 and Nevada City was 3,020 as reported by the Department of Finance. The Grass Valley population growth rate from 2000 to 2002 was 9.4 percent versus 1.6 percent growth for Nevada County. Since 2000, Grass Valley's population growth rate has been significantly higher than its historical rates, but is expected to be 2 to 3 percent for the next three years.

The increase in population has caused rapid employment growth in Nevada County, but job growth still has not kept pace with the population growth and in 2001 the problem was compounded when there were job layoffs by a number of the Nevada County's high-tech companies. As of July 2002 the unemployment rate was 4.2 percent up from 2001 average unemployment rate of 3.7 percent, but is still below the statewide average. Despite the softening employment market, Nevada County has created 8,500 new jobs since 1983 and retail sales have increased about 10 percent annually.

Employment data also indicates the disproportionate growth in the number of jobs in the retail and service sector, which provide some of the lowest paying jobs in the County. Local incomes are about 89 percent of statewide averages. The household median income for Nevada County is $48,800.

B. Market Demand

A total of 9 percent of Nevada County's total housing stock is multifamily units, typically the most affordable type of housing. Sacramento County has the highest percentage of multifamily units, comprising 28 percent of its total housing stock in 2000, followed by Placer County's multifamily units comprising 15 percent of its overall housing supply in 2000.

The City of Grass Valley is the regional focal point for rental and multi-family housing. Grass Valley provides approximately 55 percent of Nevada County's multi-family housing units, although the City has only 12 percent of the County's total housing stock. Nearly 60 percent of Grass Valley residents rent.

Multifamily developments have had good rent levels with low vacancy rates. Apartment rentals range from $550 to $900 per month for one and two bedroom apartments. Single family home rentals range from $950 to $2,500 per month for two and three bedroom homes, with an average home renting for $1,000 per month.

Vacancy rates for Grass Valley have remained stable at 1.5 percent for the last seven years despite an increase of 366 units. In the last two years the population of Grass Valley and Nevada City has increased by 1,900. Based on an average of 2.5 persons per household there is additional pent up demand for 768 new housing units for the last two years. With renters accounting for 24 percent of the total housing market for Grass Valley and Nevada City, that equates to 184 multifamily units. Oak Brook Apartments, adjacent to the north of the project is an 80 unit LIHTC project that currently has 250 families on its waiting list.

C. Housing Supply

The population of Grass Valley and its Planning Area is projected to grow from 15,000 to 23,395 by the Year 2020. About one-quarter of the City's land remains undeveloped but some of this land is constrained by natural factors and development may never occur. Infill development on undeveloped land within the City of Grass Valley is an important facet of the Nevada County 2020 General Plan.

The 2000 Housing Needs Assessment prepared for western Nevada County found that there is a critical shortage of affordable housing for all low and very low-income households in Nevada County, and to some degree, moderate income families as well. Nevada County Housing Authority has historically maintained a waiting list of 300 to 400 households for Section 8 rental assistance.

In 1999, ninety-two percent of all home sales were affordable only to families at or above 120% of median income and half of median income homebuyers in Nevada County are priced out of their ability to pay. Very low-income families of four cannot afford to buy any type of house in Nevada County without assistance.

The median price of a home in western Nevada County has increased by nearly 37% in the past two years. The average sales price of a home increased by $41,432 or 16.4% from 2000 to 2001. During 2001, total sales decreased 28% and the time on market went from 110 days to 124 days. Housing prices in the Grass Valley area range from $100,000 to over $1 million with the average price of a house selling for $262,000.

PROJECT FEASIBILITY:

Rent Differentials (Market vs. Restricted)

Rent Level	Subject Rent	Market Rate Avg.	Difference	% of Market
Two Bedroom		$825		
50%	$526		$299	64%
60%	$641		$184	78%
Three Bedroom		$925		
50%	$580		$345	63%
60%	$738		$187	80%
Four Bedroom		$1,050		
50%	$618		$432	59%
60%	$817		$233	78%

B. Estimated Lease-Up Period

The market study estimates unit lease-up should take four to five months based on 15 to 20 units per month.

OCCUPANCY RESTRICTIONS:

CHFA: 20% of the units (16) will be restricted to 50% or less of median income.

TCAC: 20% of the units (16) will be restricted to 60% or less of median income.
80% of the units (64) will be restricted to 50% or less of median income.

HOME 10% of the units (8) will be restricted to 50% or less of median income.

ENVIRONMENTAL:

A Phase I Environmental Site Assessment was prepared on October 20, 2000, by Holdredge and Kull Consulting Engineers and Geologists. The assessment did not discover any evidence of hazardous materials or incidents occurring at the project site. The Phase I identified several leaking underground storage tanks (LUST) within a one mile radius that had impacted groundwater. The report concluded the hazardous releases or incidents have not impacted the project site and the RWQCB has deemed no further action is warranted at those sites. The report recommended no need for additional investigation (or a Phase II Assessment).

An update to the Phase I Environmental Site Assessment was prepared July 31, 2002, by Holdredge and Kull Consulting Engineers and Geologists. The report concluded the findings and recommendations reported in its October 20, 2000, Phase I Site Assessment is still valid and no additional investigation is needed.

A seismic report has been ordered, but has not yet been received. The final commitment will include the condition that report and its findings be acceptable to the Agency.

ARTICLE 34:

An opinion letter has been received from the Law Office of Patrick Sabelhaus dated June 18, 2002. The letter states Article 34 does not apply. The opinion letter is subject to CHFA's review and approval.

DEVELOPMENT TEAM:

A. Borrower's Profile

The borrower is Oregon Investors VIII, L.P., an Oregon limited partnership. The managing general partner and developer for the project is Cascade Housing Association. Cascade Housing Association, an Oregon non-profit corporation was formed in 1994 and has developed seven projects in California over the past five years with a total of 484 units.

B. Contractor

The contractor for the project is Sunseri Construction, Inc. In business since 1972, Sunseri Construction, Inc. is a general contractor headquartered in Chico, CA and provides a full range of construction services, assisting clients in the development of the initial project program: including scope, budget, and schedule parameters. Sunseri emphasis is in senior and affordable housing and construction of commercial and industrial buildings.

C. Architect

Meyer Architecture and Planning, Inc. ("MAP') is the project architect. MAP located in Fresno, CA has over 50 years of experience and has designed over 35,000 units of Multifamily Housing Projects including Military, Affordable, Tax Credit, Senior, and Assisted Living Facilities.

D. Management Agent

Cambridge Real Estate Services will provide the property management services for the project. Cambridge manages over 1,800 units located throughout Oregon, Washington, Idaho, and California.

Project Summary

887

Date: 27-Aug-02

Project Profile:

Project :	Cedar Park		
Location:	210 Sutton Way		
	Grass Valley 95945	***Cap Rate:***	8.25%
County:	Nevada	***Market:***	$6.500.000
Borrower:	Oregon Investors VIII	***Income:***	$6,430,000
GP:	Cascade Housing Associatio	***Final Value:***	$6,450,000
GP:			
LP:	AEGON	***LTC/LTV:***	
Program:	Tax-Exempt	***Loan/Cost***	47.2%
CHFA # :	02-027-N	***Loan/Value***	80.3%

Project Description:

Units	81
Handicap Units	2
Bldge Type	New Const.
Buildings	16
stories	2
Gross Sq Ft	80,012
Land Sq Ft	341,510
Units/Acre	10
Total Parking	180
Covered Parking	81

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$5,180,000	$63,951	5.95%	**40**
CHFA HAT	$0	$0	0.00%	
CHFA Loan to Lender	$0	$0	0.00%	
Grass Valley HOME	$914,781	$11,294	3.00%	**40**
Loan 6	$0	$0	0.00%	
AHP	$0	$0	0.00%	
Grass Valley RDA Grant	$30,000	$370	0.00%	
Contributions From Operations	$0	$0		
GP. Equity Contribution	$253,089	$3,125		
Deferred Developer Equity	$600,000	$7,407		
Tax Credit Equity	$3,987,000	$49,222		
CHFA Bridge	**$540,000**	$6,667	5.95%	1
CHFA HAT	$0	$0	0.00%	

Type	**Manager**		**35% AMI**		**50% AMI**		**60% AMI**		**Market**		**Total**
	number	**rent**	**number**	**rent***	**number**	**rent***	**number**	**rent***	**number**	**rent***	
1 bedroom			0	0	0	0	0	0	0	0	0
2 bedroom	1	641	0	0	7	526	29	641	0	0	37
3 bedroom			0	0	7	580	25	738	0	0	32
4 bedroom			0	0	3	618	9	817	0	0	12
subtotal	1		0		17		63		0		
											81

*** net rent**

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	2.00% of Total Loans	$114,400	Cash
Escrows			
Bond Origination Guarantee	1.00% of T/E Loans	$57.200	Letter of Credit
inspection fee	$1,500 x Months of Construction	$18,000	Cash
Construction Defect	2.50% of Hard Costs	$128.867	Letter of Credit
Reserves			
Operating Expense **Reserve**	10.00% of Gross Income	$66,332	Cash
Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Cash
Annual Replacement **Reserve** Deposit	$325 Per Unit	$26,325	Operations

Sources and Uses — Cedar Park

SOURCES:

Name of Lender / Source	Amount	$ Per Unit	% of Total
CHFA First Mortgage	5,180,000	63,951	47.2%
CHFA Bridge	0	0	0.0%
CHFA HAT	0	0	0.0%
CHFA Loan to Lender	0	0	0.0%
Grass Valley HOME	914,781	11,294	8.3%
Other Loans	30,000	370	0.3%
Total Institutional Financing	**6,124,781**	**75,615**	**55.9%**
Equity Financing			
Tax Credits	3,987,000	49,222	36.4%
G.P. Equity Contribution	253,089	3,125	2.3%
Deferred Developer Equity	600,000	7,407	5.5%
Total Equity Financing	**4,840,089**	**59,754**	**44.1%**
TOTAL SOURCES	**10,964,870**	**135,369**	**100.0%**

USES:

Acquisition	624,911	7,715	5.7%
Rehabilitation	0	0	0.0%
New Construction	6,306,560	77,859	57.5%
Architectual Fees	175,000	2,160	1.6%
Survey and Engineering	195,000	2,407	1.8%
Const. Loan Interest & Fees	666,960	8,234	6.1%
Permanent Financing	152,030	1,877	1.4%
Legal Fees	40,000	494	0.4%
Reserves	68,532	846	0.6%
Contract Costs	15,000	185	0.1%
Construction Contingency	436,580	5,390	4.0%
Local Permit Fees	71,000	877	0.6%
TCAC Fees/Costs	17,200	212	0.2%
Impact Fees/Other Costs	996,097	12,297	9.1%
PROJECT COSTS	**9,764,870**	**120,554**	**89.1%**
Developer Overhead/Profit	1,200,000	14,815	10.9%
Consultant/Processing Agen.	0	0	0.0%
TOTAL USES	**10,964,870**	**135,369**	**100.0%**

Annual Operating Budget

Cedar Park

		$ Per Unit
INCOME:		
Total Rental Income	655,548	8,093
Laundry	7,776	96
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**663,324**	**8,189**
Less:		
Vacancy Loss	33,166	409
Total Net Revenue	**630,158**	**7,780**
EXPENSES:		
Payroll	64,750	799
Administrative	48,992	605
Utilities	42,525	525
Operating and Maintenance	50,922	629
Insurance and Business Taxes	24,324	300
Taxes and Assessments	0	-
Reserve for Replacement Deposits	26,325	325
Subtotal Operating Expenses	**257,838**	**3,183**
Financial Expenses		
Mortgage Payments (1st loan)	339,849	4,196
Total Financial	**339,849**	**4,196**
Total Project Expenses	**597,687**	**7,379**

Cash Flow — Cedar Park — CHFA Development Number: 02-027-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	655,548	671,937	688,735	705,953	723,602	741,692	760,235	779,241	798,722	818,690
TOTAL RENTAL INCOME	**655,548**	**671,937**	**688,735**	**705,953**	**723,602**	**741,692**	**760,235**	**779,241**	**798,722**	**818,690**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	7,776	7,970	8,170	8,374	8,583	8,798	9,018	9,243	9,474	9,711
Other Income	0	0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
TOTAL OTHER INCOME	**7,776**	**7,970**	**8,170**	**8,374**	**8,583**	**8,798**	**9,018**	**9,243**	**9,474**	**9,711**
GROSS INCOME	**663,324**	**679,907**	**696,905**	**714,327**	**732,186**	**750,490**	**769,252**	**788,484**	**808,196**	**828,401**
Vacancy Rate :Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate :Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	33,166	33,995	34,845	35,716	36,609	37,525	38,463	39,424	40,410	41,420
EFFECTIVE GROSS INCOME	**630,158**	**645,912**	**662,060**	**678,611**	**695,576**	**712,966**	**730,790**	**749,060**	**767,786**	**786,981**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	231,513	240.774	250,404	260,421	270,837	281,671	292,938	304,655	316,842	329,515
Replacement Reserve	26,325	26,325	26,325	26,325	26,325	27,641	27,641	27,641	27,641	27,641
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	*0*	0	0	*0*	0	0	0
TOTAL EXPENSES	**257,838**	**267,099**	**276,729**	**286,746**	**297,162**	**309,312**	**320,579**	**332,297**	**344,483**	**357,156**
NET OPERATING INCOME	**372,320**	**378,813**	**385,330**	**391,865**	**398,414**	**403,653**	**410,211**	**416,763**	**423,303**	**429,824**
DEBT SERVICE										
CHFA - 1st Mortgage	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849
CHFA - Bridge Loan	572,130	0	0	0	0					
CHFA - HAT Loan (amortizing)	0	0	0	*0*	*0*					
CASH FLOW after debt service	**32,471**	**38,965**	**45,481**	**52,017**	**58,565**	**63,805**	**70,362**	**76,914**	**83,455**	**89,976**
DEBT COVERAGE RATIO	**1.10**	**1.11**	**1.13**	**1.15**	**1.17**	**1.19**	**1.21**	**1.23**	**1.25**	**1.26**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	0	0	0	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	839,157	860,136	881,639	903,680	926,272	949,429	973,165	997,494	1,022,431	1,047,992
TOTAL RENTAL INCOME	839,157	860,136	881,639	903,680	926,272	949,429	973,165	997,494	1,022,431	1,047,992
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	9,954	10,203	10,458	10,719	10,987	11,262	11,544	11,832	12,128	12,431
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	9,954	10,203	10,458	10,719	10,987	11,262	11,544	11,832	12,128	12,431
GROSS INCOME	849,111	870,339	892,097	914,399	937,259	960,691	984,708	1,009,326	1,034,559	1,060,423
Vacancy Rate : Market	0	0	0	0	0	0	0	0	0	0
Vacancv Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	42.456	43,517	44,605	45,720	46,863	48,035	49,235	50,466	51,728	53,021
EFFECTIVE GROSS INCOME	806,655	826,822	847,492	868,679	890,396	912,656	935,473	958,860	982,831	1,007,402
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	342,696	356,404	370,660	385,486	400,906	416,942	433,620	450,964	469,003	487,763
Replacement Reserve	29,023	29,023	29,023	29,023	29,023	30,474	30,474	30,474	30,474	30,474
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	371,719	385,427	399,683	414,509	429,929	447,416	464,094	481,439	499,477	518,237
NET OPERATING INCOME	434,936	441,395	447,809	454,170	460,468	465,240	471,379	477,421	483,354	489,164
DEBT SERVICE										
CHFA - 1st Mortgage	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	95,087	101,546	107,960	114,321	120,619	125,391	131,530	137,572	143,505	149,316
DEBT COVERAGE RATIO	1.28	1.30	1.32	1.34	1.35	1.37	1.39	1.40	1.42	1.44

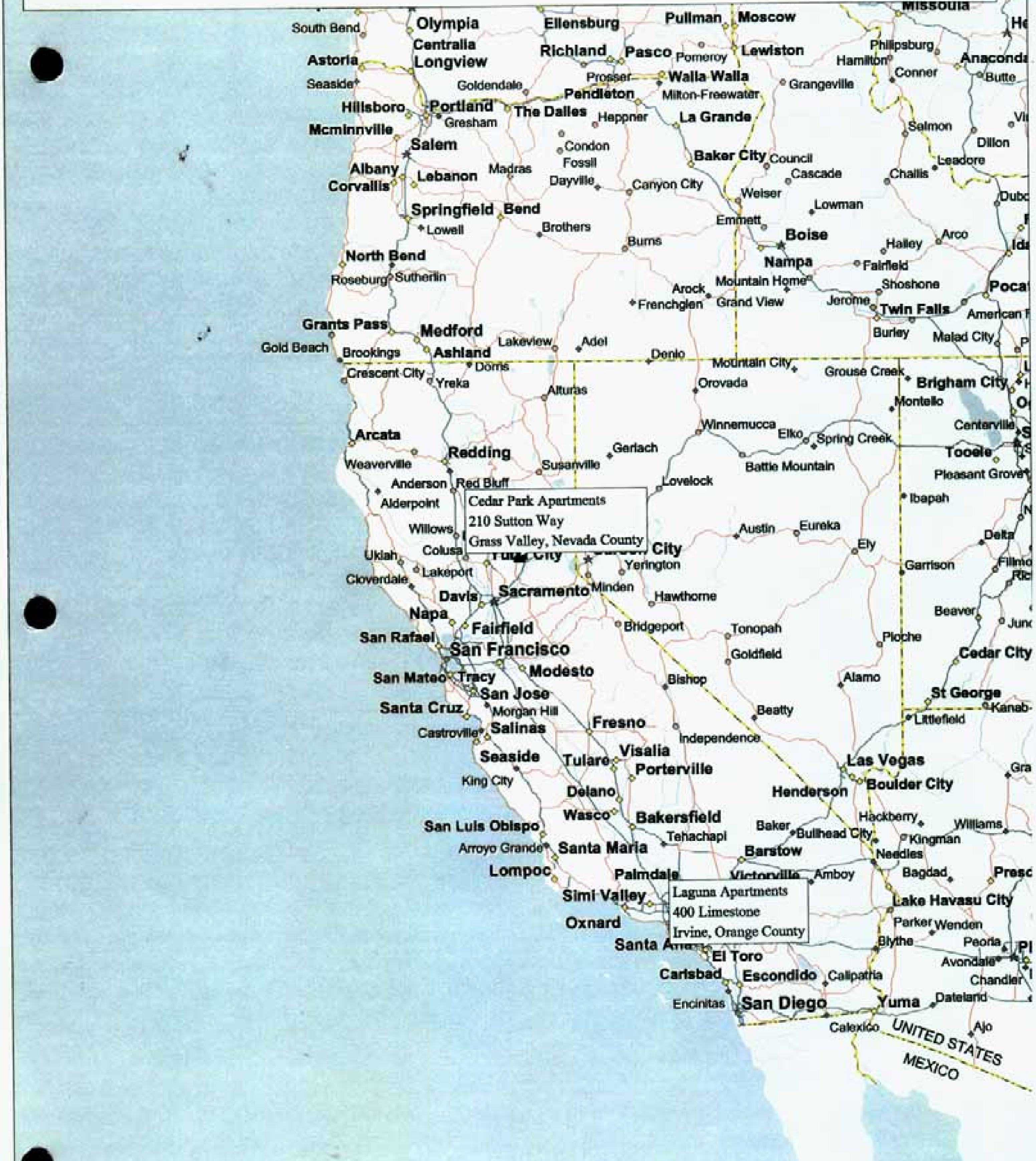
Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,074,192	1,101,047	1,128,573	1,156,787	1,185,707	1,215,349	1,245,733	1,276,876	1,308,798	1,341,518
TOTAL RENTAL INCOME	1,074,192	1,101,047	1,128,573	1,156,787	1,185,707	1,215,349	1,245,733	1,276,876	1,308,798	1,341,518
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	12,742	13,060	13,387	13.722	14,065	14,416	14,777	15,146	15,525	15,913
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	12,742	13,060	13,387	13,722	14,065	14,416	14,777	15,146	15,525	15,913
GROSS INCOME	1,086,934	1,114,107	1,141,960	1,170,509	1,199,771	1,229,766	1,260,510	1,292,022	1,324,323	1,357,431
Vacancy Rate :Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate :Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	54,347	55,705	57,098	58,525	59,989	61,488	63,025	64,601	66,216	67,872
EFFECTIVE GROSS **INCOME**	1,032,587	1,058,402	1,084,862	1,111,983	1,139,783	1,168,277	1,197,484	1,227,421	1,258,107	1,289,560
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	507,273	527,564	548,667	570,614	593,438	617,176	641,863	667,537	694,239	722,008
Replacement Reserve	31,998	31,998	31,998	31,998	31,998	33,598	33,598	33,598	33,598	33,598
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	539,272	559,563	580,665	602,612	625,436	650,774	675,461	701,135	727,837	755,606
NET OPERATING INCOME	493,315	498,839	504,196	509,371	514,346	517,503	522,023	526,286	530,270	533,953
DEBT SERVICE										
CHFA - 1st Mortgage	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	153,467	158,990	164,348	169,523	174,498	177,655	182,175	186,437	190,421	194,104
DEBT COVERAGE RATIO	1.45	1.47	1.48	1.50	1.51	1.52	1.54	1.55	1.56	1.57

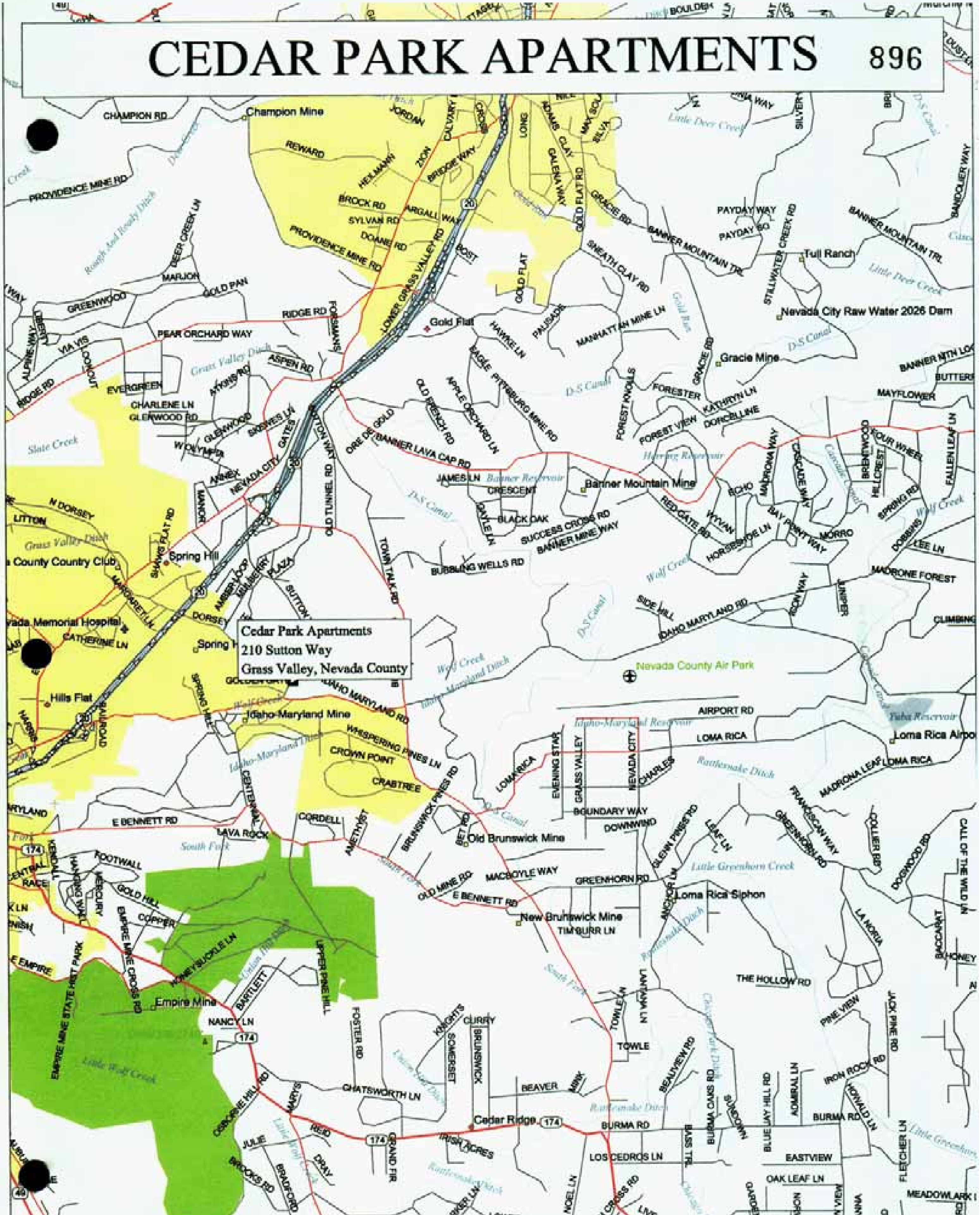
Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,375,056	1,409,433	1,444,668	1,480,785	1,517,805	1,555,750	1,594,644	1,634,510	1,675,372	1,717,257
TOTAL RENTAL INCOME	**1,375,056**	**1,409,433**	**1,444,668**	**1,480,785**	**1,517,805**	**1,555,750**	**1,594,644**	**1,634,510**	**1,675,372**	**1,717,257**
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	16,311	16,718	17,136	17,565	18,004	18,454	18,916	19,388	19,873	20,370
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**16,311**	**16,718**	**17,136**	**17,565**	**18,004**	**18,454**	**18,915**	**19,388**	**19,873**	**20,370**
GROSS INCOME	**1,391,367**	**1,426,151**	**1,461,805**	**1,498,350**	**1,535,809**	**1,574,204**	**1,613,559**	**1,653,898**	**1,695,245**	**1,737,627**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	[illegible]	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	69,868	71,308	73,090	74,917	76,790	78,710	80,678	82,696	84,762	86,881
EFFECTIVE GROSS INCOME	**1,321,799**	**1,354,844**	**1,388,715**	**1,423,432**	**1,459,018**	**1,495,494**	**1,532,881**	**1,571,202**	**1,610,483**	**1,650,745**
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	750,889	780,924	812,161	844,648	878,434	913,571	950,114	988,118	1,027,643	1,068,749
Replacement Reserve	35,278	35,278	35,278	35,278	35,278	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**786,167**	**816,202**	**847,439**	**879,926**	**913,712**	**950,613**	**987,156**	**1,025,160**	**1,064,685**	**1,105,791**
NET OPERATING INCOME	**535,632**	**538,641**	[illegible]	**543,507**	**545,307**	**544,881**	**545,725**	**546,043**	**545,798**	**544,955**
DEBT SERVICE										
CHFA - 1st Mortgage	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849	339,849
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	**195,783**	**198,793**	[illegible]	**203,658**	**205,458**	[illegible]	**205,877**	**206,194**	**205,950**	**205,106**
DEBT COVERAGE RATIO	**1.58**	**1.58**	**1.69**	**160**	**160**	**160**	**1.61**	**1.61**	**161**	**160**

CEDAR PARK APARTMENTS 894



CEDAR PARK APARTMENTS 896



RESOLUTION 02-22

RESOLUTION AUTHORIZING A FINAL, LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Oregon Investors VIII, L.P., an Oregon limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 81-unit multifamily housing development located in the City of Grass Valley to be known as Cedar Park Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 27,2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 11,2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS		MORTGAGE AMOUNT
02-027-N	Cedar Park Apartments Grass Valley/Nevada	81	First Mortgage: Bridge Loan:	$5,180,000 $ 540,000

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

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

I hereby certify that this is a true and correct copy of Resolution 02-22 adopted at a duly constituted meeting of the Board of the Agency held on September 12,2002, at Burbank, California.

ATTEST: ________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Villa Madera Apartments
02-028-S

SUMMARY:

This is a Final Commitment request for a tax exempt, first mortgage loan in the amount of $6,150,000 for thirty years at 5.75% and a bridge loan in the amount of $900,000 for one year at 5.75%. Villa Madera Apartments is a 72-unit, new construction family project. The borrower will be Mercy Housing California XVI with Mercy Housing Properties as the general partner. The project will be located in the Redevelopment Area on portions of 983-999 and 1111 North Oxnard Boulevard, Oxnard, in Ventura County.

LOAN TERMS:

First Mortgage Amount:	$6,150,000
Interest Rate:	5.75%
Term:	30 year fixed, fully amortized
Financing:	Tax-Exempt

Bridge Loan:	$900,000
Interest Rate:	5.75%
Term:	1 year, simple interest
Financing:	Tax-Exempt

LOCALITY/OTHER INVOLVEMENT:

The project has received both a $2,000,000 loan from the City of Oxnard Redevelopment Agency and a $300,000 pre-development grant. The source of funding for the loan is “in-lieu fees” collected by the City of Oxnard (“Oxnard”). The term of the loan is 35 years, the interest rate is 3% and payments are residual receipts.

In addition, the project has been awarded an AHP subsidy through Los Padres Bank for thirty years in the amount of $284,000.

PROJECT DESCRIPTION:

A. Site Design

The site will be located on a 4.2 acre rectangular parcel of land that is zoned **R3-PD** allowing for up to 18 units per acre, which is a conforming use. The site is on the northwest portion of the former Team Ford dealership. The balance of the land is to be subdivided into numerous small commercial parcels. The Team Ford buildings have been demolished and all that remains are the original concrete building pads and asphalt.

B. Project Description

The 72-unit project will consist of 59 townhomes and 13 garden-style apartments in 13 residential two-story wood framed and stucco, craftsman style buildings with composite shingle roofs. There will also be a stand alone, one-story community center. The project design includes nine different building plans. All of the units will have garages with automatic garage door openers and most garages will be attached to the units.

The residential unit mix will consist of 17 two-bedroodone-bath units (approximately 900 square feet); **43** three-bedroodone and a half bath units (approximately 1,100 square feet) and 12 four bedroom/two bath units (approximately 1,200 square feet). Unit amenities include dishwashers and garbage disposals in all of the units.

The community center will contain a leasing office, 2 other offices, a maintenance garage, a large multi-purpose room, a kitchen, a laundry room and bathrooms. Other project amenities include a tot lot, a basketball half court and several barbeque areas.

The borrower will provide a full-time residential services coordinator who will coordinate an after school program with local agencies, including Interface Children Family Services and the Coalition for Community Development. These agencies will provide dance, safety awareness, self-defense classes and drug and alcohol abuse prevention classes on-site.

C. Project Location

The project is located in Oxnard, approximately ***62*** miles northwest of downtown Los Angeles and **35** miles southeast of Santa Barbara. The site is at the northwest corner of Robert Avenue and A Street. The area surrounding the project has been developed over the past 50 years and is now being rehabilitated. The project area is in Oxnard the Redevelopment Area by Oxnard.

To the north of the project is a used car dealer; to the east is vacant land from the Team Ford dealership that is proposed as a neighborhood retail center and south is a self-serve carwash, an older strip retail and some older apartment buildings. To the west on the other side of the alley adjacent to the project are the backyards of a tract of older single family homes.

MARKET

A. Market Overview

The economy in Ventura County has prospered despite a regional recession, because of its economic diversity. Ventura County received 14% of Southern California's venture capital, up from 10% in 2000. Defense, video game development and digital sound systems are growing industries in the county. The Ventura freeway is one of the strongest tech corridors with an estimated 241 companies. The three largest sectors of employment for Ventura County are services (28%), retail trade (17.5%) and government (15.2%). Growth in these three sectors is expected to reach 67% of all employment by 2004. The June 2002 unemployment rate for Ventura County was 4.8% and 6.9% in Oxnard.

Oxnard is named after the family that developed the first major industry in the area, a sugar beet factory in the 1890's. Oxnard is the largest city in Ventura County and is in the center of the vast alluvial plain, now known as the Oxnard Plain, 180 square miles of some of the richest agricultural land in California. The project is located one mile north of downtown Oxnard. The primary market area for the project is defined as Oxnard's city limits. Oxnard's current population is 177,770.

B. Market Demand

The average sale price for a single family home in the neighborhood, within a one mile radius of the project is $284,115 for 1,445 square feet of livable area, on a 6,580 square foot lot, built in 1954. The average home sales price has increased approximately 16% in Ventura County over the past year. Over 62% of all housing units are single family homes in Oxnard.

Median income levels increased an average of 4.8% from 2001 to 2002 to $74,700. Within a five-mile radius of the project, 44% of the households fall within the income requirements of this project. Of that, 42% of the households are renters, indicating a potential demand of 13,232 households. The number of existing affordable rental units with a five mile radius is less than 2,000, and there is an estimated need for 445 new affordable apartments per year in Oxnard. Three and four bedroom units are scarce in all rental housing product.

Demand for all types of housing in Ventura County and in Oxnard is high because the number of apartment units available is low. The overall vacancy rate for market rate apartments is between 1 and 6 percent.

C. Housing Supply

There are 63 apartment complexes containing over 100 units each in the entire county. The appraiser surveyed 1,534 market rate units in six apartment complexes in

Oxnard and found 54 vacant units, for a vacancy factor of approximately 3.5%. This review did not take into consideration vacant units already pre-rented. The Realfacts database supports this finding stating that the vacancy rate in Oxnard was 3.7% in the first quarter 2002.

Four of the six market rate projects were constructed in the late 1980's; the remaining two were constructed in 2000. The two newest projects have both two and three bedroom units, and the unit sizes are approximately 25% larger than the subjects. The four older market rate projects did not have three bedroom units, and their two bedroom units were generally comparable in size. In five of the six market rate projects, the two bedroom units have two bathrooms. Four bedroom units were not available in the market rate rental apartment market in Oxnard. The appraiser had to consider single family homes as the comparable for these units to determine market rental information.

The project's amenities are less than those offered in market rate projects. The project's units are smaller, there is no balcony or patio, and there is no community pool. All the new apartment complexes include air conditioning; however, air conditioning is not considered a necessity in this community that is 4 miles from the beach.

Market rate construction of high end single-family homes is occurring at a rapid pace in Oxnard. There is a large master planned development community going through the planning process. Riverpark Project will include 2,805 units of which 1,000 are apartments. Of the 1,000 apartments, 140 will be for low income families, and 860 units will be market rate. Currently there are 5 affordable housing projects with a total of 172 units, not including Villa Madera, in the planning stages. Three of them (with a total of 166 units) have received their entitlements and are in the process of obtaining financing. The fourth and smallest project *(6* units) is scheduled to go before the planning commission soon. The fifth project with 54 affordable apartments is probably a year away from entitlement.

PROJECT FEASIBILITY:

Rent Differentials (Market vs. Restricted)

Rent Level	Subject Rent	Market Rate Avg.	Difference	% of Market
Two Bedroom		$1,100		
50%	$783		$317	71%
60%	$951		$149	86%
Three Bedroom		$1,325		
50%	$934		$391	70%
60%	$1,166		$159	88%
Four Bedroom		$1475		
50%	$1,009		$466	68%
60%	$1,300		$175	88%

B. Estimated Lease-Up Period

Based on the number of households in the PMA that qualify for affordable housing and the short supply of affordable units, the project is expected to rent-up quickly. The appraiser estimates that the unit lease-up should take approximately 3 months.

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (14) will be restricted to 50% or less of median income.
City of Oxnard:	20% of the units (14) will be restricted to 50% or less of median income. 80% of the units (57) will be restricted to 60% or less of median income.
TCAC:	100% of the units (71) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

A Phase 1 Environmental Site Assessment ("Phase I") was prepared on the entire Team Ford dealership site located at 983- 999 and 1111 North Oxnard Boulevard on June 28, 2000 by (QA)2 Environmental. The property was agricultural until 1965 when several car dealerships were constructed. Findings for the portion of the site for this project were not addressed separately. The project's site included a body shop/service building on the eastern side, and a smaller detail building towards the west side of the property. All remaining portions of the property are asphalted, including driveways between buildings and parking areas on the western side of the property. All buildings at this address have been demolished since this Phase I was completed. The Phase I did not include an asbestos survey, but one was recommended prior to the demolition or major renovation of the structure. The architects, Lauterbach & Associates, supervised the demolition of buildings on the project's site, and they have agreed to provide CHFA with a letter certifying that the demolition was done in conformance with ASTM environmental standards.

The dealership did have two underground tanks, a 500-gallon waste oil tank and one 2,000 gallon gasoline tank. Both of these tanks were located to the east of the project site. According to the records at the City of Oxnard Fire Department, the tanks were removed in 1998 along with 40 tons of soil. Verification sampling from the excavation walls and bottom showed no residual contamination. Four groundwater monitoring wells were installed on the dealership site, two on 1111 North Oxnard Boulevard, to analyze Total Petroleum Hydrocarbons as gasoline ("TPH-G") and for benzene, toluene, ethybenzene and xylene ("BTEX'). The site was also listed as a Small Quantity Generator of Hazardous Waste (i.e. it generated less than 1000 Kg of hazardous waste per month).

Ventura County Environmental Health Department ("VCEHD') requested in 1992 that a vapor extraction system ("VES") be installed at the location of the former gasoline tanks. Soil samples retrieved during the drilling of the vapor extraction wells were analyzed for TPH-G and BTEX. In 1993, verification borings were collected and showed that residual contamination remains in the vicinity of the former gasoline tank. A third vapor extraction well was installed in 1994 to the northeast of the former gasoline tank and an air sparging system was installed in 1994. The overall system was operated until February 7, 1996 when VCEHD determined the remediation was complete and the case was closed.

In the surrounding area there have been several hazardous environmental events reported. Two spills referenced in the Phase I were considered a potential impact the dealership. The Shell station located south of the project had a reported diesel leak in 1988. The area was remediated and the case closed in 1996. Due to the downgradient location of the Shell station with respect to the flow of groundwater, it is unlikely this site would have been affected. The Chevrolet dealership to the north of the project had a gasoline leak reported in 1988. The contaminated soils were excavated, and the case was closed in 1997. While this occurred at an upgradient location, it appears unlikely that the site was impacted because the spill was limited to soil contamination.

A Site Investigation Report was prepared by (QA2) Environmental on July 15, 2000. It specifically addressed the portions of the property at 983-999 and 1111 North Oxnard Boulevard that make up the project site and the areas of concern for this project. At 983-999 North Oxnard Boulevard the paint booth and paint body/detail area are suspect areas with no subsurface analytical data. Other areas with prior subsurface analytical data include a clarifier removed in 1995 and former service bays removed in 1995 with impacted soils excavated at the time of the removal. Portions of the site located at 1111 North Oxnard Boulevard, including the dumpster area, body detail area, paint booth and paint/waste storage area, former gasoline area, service bays, and wash bays are suspect areas with no subsurface analytical data. Suspect areas with prior subsurface analytical data include the paint/body shop and the clarifier. The removal and clean-up of both of these sites was supervised by Lauterbach & Associates. Lead-based paint and asbestos abatement was completed by Project Development Group, Inc. in January, 2001.

A site specific Phase I, with particular focus on the suspect areas with no subsurface analytical data has been requested. Review, approval and acceptance of the Phase I is a condition of the final commitment.

A seismic review has been requested from URS. Review and approval of the environmental and seismic reports by the Agency is a condition of the final commitment.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's Profile

The project will be owned by Mercy Housing California XVI, a California non-profit public benefit corporation with Mercy Properties, Inc., a Colorado nonprofit corporation as the General Partner. Mercy Housing California has developed and rehabilitated 77 projects in California with over 4,000 units during the past 34 years. All 77 projects are under the ownership of Mercy Housing. Several of these projects, including Duchow Way and Padre Apartments, were financed by CHFA.

B. Contractor

The contractor is Benchmark Contractors, Inc., a wholly-owned subsidiary of Morley Builders. Benchmark Contractor, Inc. was formed in 1984 and specializes in the construction of affordable apartments and student housing using wood-framed structural systems. They have constructed ten affordable projects for seniors and families with a total of 601 units.

C. Architect

Lauterbach & Associates Architecture/Planning are the architects for the project. The firm was formed in 1970 and they have designed 12 affordable projects with a total of 1,165 units. Lauterbach & Associates have been the architect on several projects developed by Mercy Housing California.

D. Management Agent

Mercy Services Corporation, a nonprofit affiliate of Mercy Housing California founded in 1992 will manage the project and is the property manager of all multifamily projects developed and owned by Mercy Housing California and its affiliates. They currently manage 139 properties with 7,955 units nationwide, including 79 sites with over 4,000 units in California.

Project Summary

907

Date: 27-Aug-02

Project Profile:

Project :	Villa Madera Apartments		
Location:	various on N. Oxnard Boulevard		
	Oxnard ***93030***	Cap ***Rate:***	7.75%
County:	Ventura	***Market:***	$9,275,000
Borrower	Mercy Housing Cal., XVI	***Income:***	$8,925,000
GP:	Mercy Properties. Inc.	***Final Value:***	$9,100,000
GP:	TBD		
		LTC/LTV:	
Program:	Tax Exempt	***Loan/Cost***	45.4%
CHFA #:	02-028-S	***Loan/Value***	67.6%

Project Description:

Units	**72**
Handicap Units	2
Bldge Type	New Const.
Buildings	13
Stories	2
Gross Sq Ft	80,561
Land Sq Ft	186.001
Units/Acre	17
Total Parking	156
Covered Parking	100

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$6.150,000	$85,417	5.75%	30
CHFA HAT	S0	$0	*0.00%*	-
City of Oxnard	$2,000,000	$27,778	*3.0096*	35
AHP	$284,000	$3,944	*3.00%*	30
City of Oxnard Grant	$300.000	$4,167	*0.00%*	-
Loan	**$0**	**$0**	*0.00%*	-
Loan	**$0**	$0	*0.00%*	-
State Tax Credits	$1,477,327	$20,518		-
Borrower Contribution	S0	$0		-
Deferred Developer Equity	$273.153	$3.794		-
Tax Credit Equity	$3,063,901	$42,554		
CHFA Bridge	**$900,000**	$12,500	*5.15%*	1
CHFA HAT	S0	$0	*0.00%*	-

Unit Mix:

Type	Manager		50% AMI		60% AMI		50% City		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent	
1 bedroom			0	0	0	0	0	0	0	0	0
2 bedroom	1	937	3	783	13	951	0	0	0	0	17
3 bedroom	0	0	9	863	34	1084	0	0	0	0	43
4 bedroom			2	923	10	1139	0	0	0	0	12
subtotal	1		14		57		0		0		
											72

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	2.00% of Loan Amount	$141,000	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	$70,500	Letter of Credit
Inspection fee	$1,500 x months of construction	$22,500	Cash
Construction Defect	2.50% of Hard Costs	$159,852	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$88,814	Letter of Credit
Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	$350 per unit	$25.200	Operations

Sources and Uses — Villa Madera Apartments

SOURCES:

Name of Lender/ Source	Amount	$ Per Unit	% of Total
CHFA First Mortgage	6,150,000	85,417	45.4%
CHFA Bridge	0	0	0.0%
CHFA HAT'	0	0	0.0%
City of Oxnard	2,000,000	27,778	14.8%
AHP	284,000	3,944	2.1%
Other Loans	300,000	4,167	2.2%
Total Institutional Financing	**8,734,000**	**121,306**	**64.5%**
Equity Financing			
Tax Credits (State and Federal)	4,541,228	63,073	33.5%
Deferred Developer Equity	273,153	3,794	2.0%
Total Equity Financing	**4,814,381**	**66,866**	**35.5%**
TOTAL SOURCES	**13,548,381**	**188,172**	**100.0%**

USES:

Acquisition	1,586,123	22,029	11.7%
Rehabilitation	0	0	0.0%
New Construction	7,400,630	102,787	54.6%
Architectual Fees	384,846	5,345	2.8%
Survey and Engineering	152,000	2,111	1.1%
Const. Loan Interest & Fees	811,971	11,277	6.0%
Permanent Financing	203,250	2,823	1.5%
Legal Fees	45,500	632	0.3%
Reserves	91,064	1,265	0.7%
Contract Costs	13,463	187	0.1%
Construction Contingency	419,799	5,831	3.1%
Local Fees	1,059,654	14,717	7.8%
Marketing/Inspection	73,500		0.5%
TCAC/Other Costs	71,581	994	0.5%
PROJECT COSTS	**12,313,381**	**171,019**	**90.9%**
Developer Overhead/Profit	1,200,000	16,667	8.9%
Consultant/Processing Agent	35,000	486	0.3%
TOTAL USES	**13,548,381**	**188,172**	**100.0%**

Annual Operating Budget — Villa Madera Apartments

		$ per unit
INCOME:		
Total Rental Income	882,096	12,251
Laundry	6,048	84
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**888,144**	**12,335**
Less:		
Vacancy **Loss**	44,407	617
Total Net Revenue	**843,737**	**11,719**
EXPENSES:		
Payroll	155,840	2,164
Administrative	82,370	1,144
Utilities	38,055	529
Operating and Maintenance	48,839	678
Insurance and Business Taxes	15,653	217
Taxes and Assessments	2,000	28
Reserve for Replacement Deposits	25,200	350
Subtotal Operating Expenses	**367,957**	**5,111**
Financial Expenses		
Mortgage Payments (1st loan)	430,677	5,982
Total Financial	**430,677**	**5,982**
Total Project Expenses	**798,633**	**11,092**

Cash Flow — Villa Madera Apartments — CHFA # 02-028-S

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	0	0	0	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	882,096	904,148	926,752	949,921	973,669	998,011	1,022,961	1,048,535	1,074,748	1,101,617
TOTAL RENTAL INCOME	882,096	904,148	926,752	949,921	973,669	998,011	1,022,961	1,048,535	1,074,748	1,101,617
OTHER INCOME										
Olher Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	6,048	6,199	6,354	6,513	6,676	6,843	7,014	7,189	7,369	7,553
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	6,048	6,199	6,354	6,513	6,676	6,843	7,014	7,189	7,369	7,553
GROSS INCOME	888,144	910,348	933,106	956,434	980,345	1,004,853	1,029,975	1,055,724	1,082,117	1,109,170
Vacancy Rale :Market	0	0	0	0	0	0	0	0	0	0
Vacancy Rale :Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	44,407	45,517	46,655	47,822	49,017	50,243	51,499	52.786	54,106	55,459
EFFECTIVE GROSS INCOME	843,737	864,830	886,451	908,612	931,328	954,611	978,476	1,002,938	1,028,011	1,053,712
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	340,757	354,387	368,562	383,305	398,637	414,583	431,166	448,412	466,349	485,003
Replacement Reserve	25,200	25,200	25,200	25,200	25,200	26,460	26,460	26,460	26,460	26,460
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
TOTAL EXPENSES	367,957	381,627	395,843	410,627	426,002	443,251	459,878	477,170	495,152	513,853
NET OPERATING INCOME	475,780	483,203	490,608	497,985	505,326	511,360	518,598	525,768	532,859	539,859
DEBT SERVICE										
CHFA - **1st** Mortgage	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677
CHFA - Bridge Loan	951,750	0	0	0	0					
CHFA - HAT Loan (amortizing)	0	0	0	0	0					
CASH FLOW after debt service	45,103	52,527	59,931	67,308	74,649	80,683	87,921	95,091	102,182	109,182
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.17	1.19	1.20	1.22	1.24	1.25

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,129,157	1,157,386	1,186,321	1,215,979	1,246,379	1,277,538	1,309,476	1,342,213	1,375,769	1,410,163
TOTAL RENTAL INCOME	**1,129,157**	**1,157,386**	**1,186,321**	**1,215,979**	**1,246,379**	**1,277,538**	**1,309,476**	**1,342,213**	**1,375,769**	**1,410,163**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	7,742	7,936	8,134	8,337	8,546	8,759	8,978	9,203	9,433	9,669
Other Income	0	0	0	*0*	*0*	*0*	*0*	*0*	*0*	0
TOTAL OTHER INCOME	**7,742**	**7,936**	**8,134**	**8,337**	**8,546**	**8,759**	**8,978**	**9,203**	**9,433**	**9,669**
GROSS INCOME	**1,136,899**	**1,165,322**	**1,194,455**	**1,224,316**	**1,254,924**	**1,286,297**	**1,318,455**	**1,351,416**	**1,385,202**	**1,419,832**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	56,845	58,266	59,723	61,216	62,746	64,315	65,923	67,571	69,260	70,992
EFFECTIVE GROSS INCOME	**1,080,054**	**1,107,056**	**1,134,732**	**1,163,100**	**1,192,178**	**1,221,982**	**1,252,532**	**1,283,845**	**1,315,941**	**1,348,840**
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	504,403	524,579	545,562	567,385	590,080	613,683	638,231	663,760	690,310	717,923
Replacement Reserve	26,460	27,783	27,783	27,783	27,783	27,783	29,172	29,172	29,172	29,172
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,438	2,487	2,536	2,587	2,639	2,692	2,746	2,800	2,856	2,914
TOTAL EXPENSES	**533,301**	**554,849**	**575,882**	**597,755**	**620,502**	**644,158**	**670,148**	**695,733**	**722,339**	**750,009**
NET OPERATING INCOME	**546,753**	**552,207**	**558,850**	**565,345**	**571,676**	**577,824**	**582,384**	**588,113**	**593,602**	**598,831**
DEBT SERVICE										
CHFA - 1st Mortgage	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	**116,077**	**121,530**	**128,174**	**134,669**	**140,999**	**147,148**	**151,707**	**157,436**	**162,926**	**168,155**
DEBT COVERAGE RATIO	**1.27**	**1.28**	**1.30**	**1.31**	**1.33**	**1.34**	**1.35**	**1.37**	**1.38**	**1.39**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	0	0	0	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,445,417	1,481,552	1,518,591	1,556,556	1,595,470	1,635,357	1,676,241	1,718,147	1,761,100	1,805,128
TOTAL RENTAL INCOME	1,445,417	1,481,552	1,518,591	1,556,556	1,595,470	1,635,357	1,676,241	1,718,147	1,761,100	1,805,128
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	9,910	10,158	10,412	10,672	10,939	11,213	11,493	11,780	12,075	12,377
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	9,910	10,158	10,412	10,672	10,939	11,213 .	11,493	11,780	12,075	12,377
GROSS INCOME	1,455,327	1,491,711	1,529,003	1,567,228	1,606,409	1,646,569	1,687,734	1,729,927	1,773,175	1,817,504
Vacancy Rate :Market	0	0	0	0	0	0	0	0	0	0
Vacancy Rate :Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	72,766	74,586	76,450	78,361	80,320	82,328	84,387	86,496	88,659	90,875
EFFECTIVE GROSS INCOME	1,382,561	1,417,125	1,452,553	1,488,867	1,526,089	1,564,241	1,603,347	1,643,431	1,684,516	1,726,629
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	746,640	776,505	807,565	839,868	873,463	908,401	944,737	982,527	1,021,828	1,062,701
Replacement ***Reserve***	29,172	30,631	30,631	30,631	30,631	30,631	32,162	32,162	32,162	32,162
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	2,972	3,031	3,092	3,154	3,217	3,281	3,347	3,414	3,482	3,552
TOTAL EXPENSES	778,784	810,167	841,288	873,653	907,310	942,313	980,247	1,018,103	1,057,472	1,098,415
NET OPERATING INCOME	603,777	606,958	611,265	615,214	618,778	621,928	623,100	625,328	627,044	628,214
DEBT SERVICE										
CHFA - **1st** Mortgage	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677	430,677
CHFA - Bridge Loan										
CHFA - HAT Loan (amortizing)										
CASH FLOW after debt service	173,100	176,281	180,588	184,538	188,101	191,251	192,424	194,651	196,367	197,537
DEBT COVERAGE RATIO	1.40	1.41	1.42	1.43	1.44	1.44	1.45	1.45	1.46	1.46

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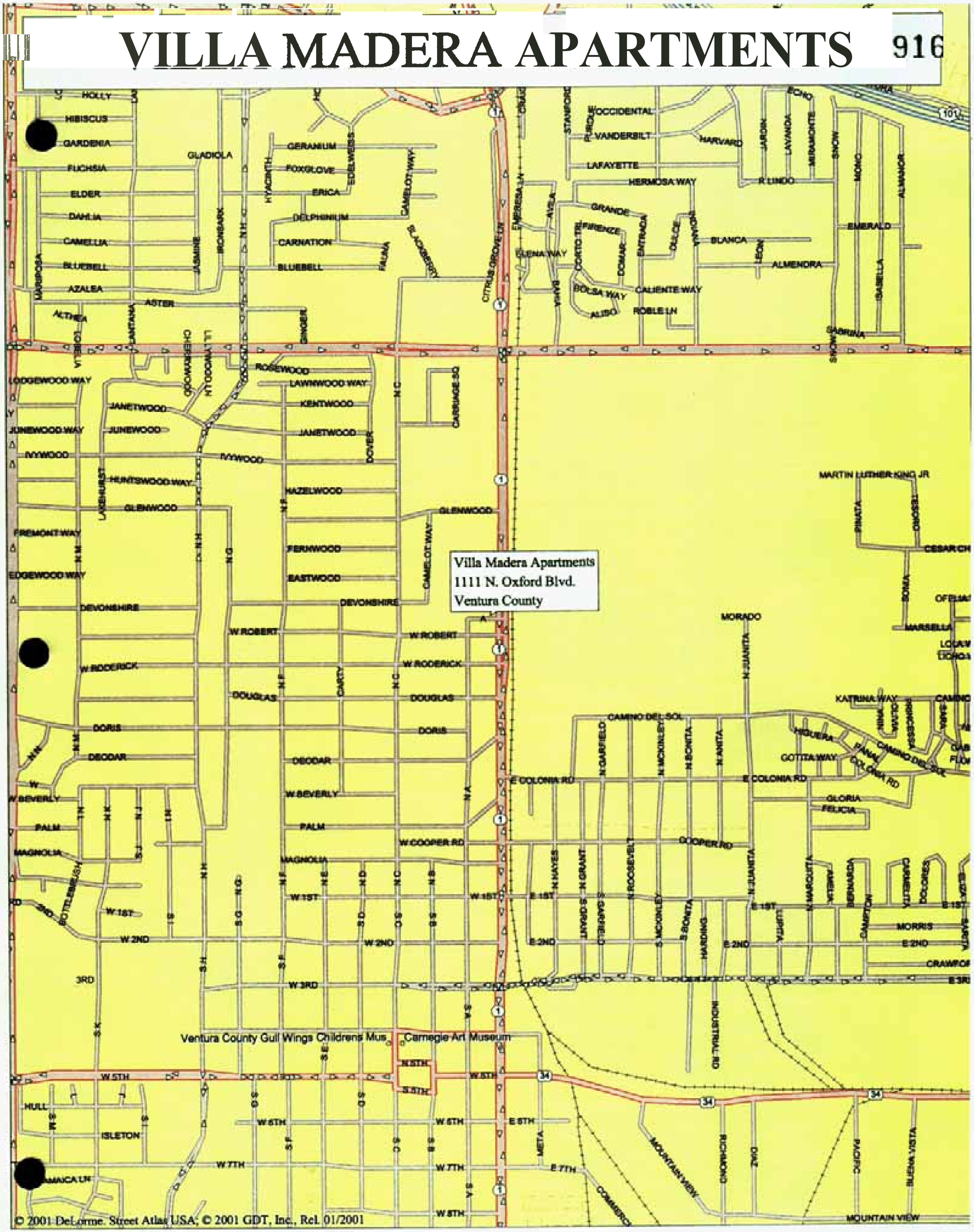
VILLA MADERA APARTMENTS 914

VILLA MADERA APARTMENTS



RESOLUTION 02-23

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Mercy Housing California XVI, a California nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 72-unit multifamily housing development located in the City of Oxnard to be known as Villa Madera (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 27,2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 8,2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
02-028-S	Villa Madera Oxnard/Ventura	72	First Mortgage: $6,150,000 Bridge Loan: $ 900,000

Resolution 02-23
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 02-23 adopted at a duly constituted meeting of the Board of the Agency held on September 12,2002, at Burbank, California.

ATTEST: ________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
White Rock Apartments
CHFA Loan #02-008-N

SUMMARY:

This is a Final Commitment request for a tax-exempt, first mortgage loan in the amount of $10,000,000, and a bridge loan in the amount of $3,375,000. Security for the first mortgage loan will be a newly constructed 180 unit family apartment community owned by Mercy Housing California XXI, a limited partnership with Mercy Housing California as general partner. The project will be located *2200* Valley View Parkway in El Dorado Hills, California.

LOAN TERMS:

First Mortgage Amount	$10,000,000
Interest Rate:	5.85%
Term:	35 year fixed, fully amortized
Financing:	Tax-Exempt
Bridge Loan	$3,375,000
Interest Rate:	5.85%
Term:	1 year, simple interest
Financing:	Tax-Exempt

LOCALITY INVOLVEMENT:

The property will have secondary financing from the State of California Department of Housing and Community Development (HCD), Multi-Family Housing Program in the amount of ***$5,500,000.*** These funds were awarded to the project in March ***2002,*** and a conditional commitment was issued in April ***2002.*** In addition, El Dorado County will provide HOME funds to the project in the amount of $3,000,000. Lastly, the project will benefit from $1,000,000 in funds from the Federal Home Loan Bank's Affordable Housing Program. The repayment of these loans will be from residual receipts.

PROJECT DESCRIPTION:

A. Site Design

The project will be located on 12.03 acres in a new subdivision in the El Dorado Hills community one-half mile south of Highway 50. The roughly triangular site will be accessed via

Valley View Parkway, which will be a four lane street with a median. It is currently sloping slightly to the south, however improvement plans call for fill to level the site. The site is currently vacant and being used as a staging area for the new construction of 344 market rate units adjacent to the north.

White Rock's site plan has been designed to foster a strong sense of community while also allowing for a sense of privacy for each resident. The site is relatively dense with scarce open space within its boundaries, however there will be significant open space and recreational opportunities at the adjacent regional park. Two tot lots will be located at the community building, one for the exclusive use of Head Start and the other open for all residents. In addition, several picnic areas will be scattered throughout the project. The community building will be approximately 3,400 square feet and will be designed to commercial standards, including all child care code and licensing requirements. It will contain leasing offices, a 1,400 square foot childcare facility that will be operated by the El Dorado County Office of Education's Head Start program and a full kitchen for use by Head Start only. Head Start will offer a pre-school "wrap program" to families with children ages 3 to 5 years. Since the families must be low income to participate in the Head Start Program, it is expected that only tenants of the project will utilize the on-site childcare. Fees will be on a sliding scale based on income. The community building will also offer a 1,000 square foot community room with a kitchenette and restrooms which will be shared by the residents, staff and childcare facility. Parking lots will be located to the rear of most buildings and will provide 36 covered stalls and 206 uncovered spaces, in addition to 144 attached single-car garages.

B. Project Description

The project will have twelve residential garden-style buildings and a community building. There will be three different types of buildings ranging from two to three stories each, with between twelve and twenty units each, wood framed stairs and first floor garage space. The buildings will have conventional wood frames with slab on grade construction. Exteriors will be a mixture of composite cement, Hardi-plank siding, trim, and stucco. The roof will be pitched composition shingle.

All units will have enclosed patios or balconies, with sliding glass doors. The unit mix in the project will consist of one, two, three and four bedroom flats, with one bathroom in the one bedroom units, and in 24 of the two bedroom units. Thirty-six of the two-bedroom units and all the three and four bedroom units will have two bathrooms each. Interior finishes will include carpeting in all the living areas, sheet vinyl flooring in the kitchens and bathrooms, and tile entryways. All windows will be covered with vertical blinds including patio doors. The natural gas kitchens will feature range/oven combinations, dishwashers and disposals with Formica counter surfaces. The units will have central heat and air conditioning, and all units will have a washer and dryer. Each unit will be individually metered for gas and electricity.

C. Project Location

The subject neighborhood is an area that is predominantly comprised of existing single-family residential subdivisions with additional land uses including some multi-family residential, retail, commercial and office space. Surrounding land uses include Valley View Apartments, a 344 unit market rate apartment complex currently under construction to the north. To the northwest of the site is the existing Sunset Mobile Home Park, a well-maintained park of approximately 75 mobile homes for families and seniors. Carson Creek runs along the western boundary of the site, with vacant land currently undergoing mapping for single-family homes further west. To the east is a vacant residential parcel and open space leading up to the ridge into the Sierra foothills. To the south is a 50 acre parcel zoned for open space and a planned regional park. Further to the south is the El Dorado Irrigation District's waste water treatment plant.

The neighborhood is served by the El Dorado Hills Community Service District, which offers a year round program of recreation activities. There are numerous existing parks and community recreational facilities, including swimming pools and ball fields close by. In addition, the planned 30 acre regional park, which will be located adjacent to the project will have a new sports complex and ball fields. It is expected that a public swimming pool will also be located in the new regional park. The El Dorado Hills Golf Course is located on the other side of Highway 50. Additionally, Folsom Lake State Park, adjacent to the northwest portion of the market area offers boating, fishing, swimming and water skiing. There are three schools within 2.7 miles of the site, and the Folsom Lake Community College within 3.7 miles. The nearest hospital is 4.7 miles from the proposed project in Folsom. Shopping and employment opportunities are located at the El Dorado Hills Business Park and the downtown Town Center, within one mile of the project. There is a transportation hub about one-third mile from the site which has a carpool park and ride, public buses and commuter lines for an easy commute to Sacramento and other areas.

MARKET:

A. Market Overview

The community of El Dorado Hills is located in western El Dorado County which is bounded by Sacramento County on the east, and Nevada on the west. El Dorado Hills is approximately 30 miles east of Sacramento and 20 miles west of Placerville, the county seat. Two major highways bisect the county: Highway 50, connecting Sacramento with Placerville and Lake Tahoe, and Highway 49, running north and south through the western half of the county.

The market area for El Dorado Hills has been defined in the market study completed by Laurin Associates dated June 2002, as a polygon bound by Shingle Road to the east, El Dorado County's boundary to the west, and by the outskirts of El Dorado Hills to the north and south. This market area encompasses 70 square miles and has a current estimated population of 42,577 representing 26% of the County's population.

The County of El Dorado had a population of 125,995 in 1990, which increased by 28% to 161,467 by 2002. The El Dorado Hills market area had a population of 26,118 in 1990, which increased 107% by 2002. It is expected that the population for the El Dorado Hills market area will grow another 5% over the next two years to 44,706. El Dorado Hills is a fast growing community off Highway 50. Currently the population for El Dorado Hills itself is estimated at 18,912 persons, a 63% increase from the 1990 population.

Although El Dorado Hills had the lowest unemployment rate in the County as of year-end 2001, of 1.4%, a vital part of the community's future is the 885-acre El Dorado Hills Business Park. Many of California's progressive firms have relocated to this Business Park, including the new Blue Shield corporate headquarters and a number of high-tech businesses. This park is approximately 40% built out and when completed it will accommodate 27,000 personnel. In addition, the downtown Town Center, which is currently under construction, will be comprised of close to one million square feet of commercial space. It will by anchored by Ralph's supermarket and Longs Drugs, and will have movie theatres, a 100-120 room hotel, car dealerships and several restaurants. These two centers, planned for completion in the next few years, will provide jobs to accommodate the population growth expected in El Dorado County.

El Dorado County, and in particular West El Dorado County is projected to have continued growth in all the major categories: population, housing, income, and employment over the long term. Western El Dorado County offers a variety of housing opportunities, from entry-level to move-up, as well as custom home sites on estate lots. The current job market offers a full range of employment opportunities, and many areas of the west county are within a reasonable commute to job centers in Sacramento.

B. Market Demand

Between 1990 and 2002, the number of households in the El Dorado Hills market area increased from 9,151 to 14,282. This represents an annual growth rate of 4.7%, or an average of 428 households per year. Comparatively, El Dorado County increased at an annual rate of 1.9% over the same period. Households in the El Dorado Hills market area are projected to increase by 2.4%, to 14,968 households by 2004. Average household size increased from 2.8 to 3.0 in the market area from 1990 to 2002, with two person households at 36.8%, three person households at 19.3%, four person households at 20.4%, and five plus person households at 10.1% of the total number of households.

The ratio of homeowners to renters has remained constant in the El Dorado Hill market area from 1990 to 2002, with roughly 80% homeowners, and 20% renters. Currently, there are 2,771 renters (19.4%) in the El Dorado Hills market area, an increase of 45% (in terms of households) since 1990.

In a survey of comparable affordable housing complexes within a 20 mile radius Mercy found an average vacancy rate of one-half percent and significant waiting lists at each project. In addition, El Dorado County's Section 8 waiting list is lengthy, mainly due to the lack of available affordable units in the county, in which the prospective Section 8 tenants could live.

C. Housing Supply

El Dorado Hills is a relatively young city and its housing stock is relatively new, with the majority (73%) of the homes having been built in the past 20 years. According to the Census there were 7,530 housing units in El Dorado Hills in 2001, an increase of 98.4% over the 1990 total. Ninety-five percent of these units are single family homes, with only 375 multi-family units. The prevailing single family price range is from $300,000 to $500,000, with some custom homes selling for over $1,000,000. The overall vacancy rate for owner and market rental housing in El Dorado Hills was 2.9% in 2000.

In the El Dorado Hills Market area there are only four affordable housing complexes, totaling 260 units, all with long waiting lists of four to six months. Additionally, there are only three existing market rate projects in the area, totaling 344 units. According to the El Dorado County Planning Dept, there are no additional pending or proposed rent restricted multifamily developments in process. There are however, two proposed market rate communities in the planning stages. These include Sterling Ranch (160 units) and the project adjacent to the White Rock Village site of 344 units. Although 95% of the housing stock in the area is currently single family homes, there are an additional 12,500 single family homes in the development process, which will come on line within the next five to seven years. Some of these single family subdivisions are being held up by slow-growth governmental restrictions.

PROJECT FEASIBILITY:

A. Estimated Lease-Up Period

The market study estimates that these apartments would absorb 18 to 20 units per month for an estimated absorption period between nine and ten months. Three and four bedrooms are expect to take longer to rent up than the smaller units.

O B Rent Differentials (Market vs. Restricted)

Rent Level	Subject Rents	Market Rents	Market Rents Difference	% of Market Rents
One Bedroom		$917		
35%	$340		$577	37%
50%	$493		$424	54%
60%	$601		$316	66%
Two Bedroom		$1,040		
35%	$401		$639	39%
50%	$586		$454	56%
60%	$715		$325	69%
Three Bedroom		$1,131		
35%	$464		$667	41%
50%	$678		$453	60%
60%	$827		$304	73%
Four Bedroom		$1,230		
35%	$514		$716	42%
50%	$752		$478	61%
60%	$919		$311	75%

OCCUPANCY RESTRICTIONS:
The occupancy restrictions described below are expected to reflect those in the final Regulatory Agreements.

CHFA:	20% of the units (36) will be restricted at 50% or less AMI
TCAC:	20% of the units (36) will be restricted at 50% or less AMI 80% of the units (142) will be restricted at 60% or less AMI
HCD:	20% of the units (36) will be restricted at 35% or less SMI 25% of the units (44) will be restricted at 50% or less SMI 5% of the units (8) will be restricted at 60% or less SMI
HOME:	6% of the units (10) will be restricted at 50% or less AMI 23% of the units (40) will be restricted at 60% or less AMI

ENVIRONMENTAL:

CHFA has reviewed the Phase I for the project which was completed by Youngdahl Consulting Group Inc. in November 2001. Youngdahl also completed earlier environmental reports on the site including a Phase I dated April 2001, and a Phase II dated May 2001, both of which were referenced in the November 2001 report. Two open holes were found on the site in earlier investigations, which were thought to have been excavated in conjunction with mineral exploration. The April 2001 report concluded that the absence of vegetation on the tailings pile adjacent to Hole 1 on the subject property may be indicative of a recognized environmental condition, and recommended that tailing samples be collected and analyzed. The Phase II Investigation's scope of work included a random sampling of four soil specimens from the top three inches of the tailing's barren soil area, and the collection of two soil samples upgradient of the pile to establish naturally occurring background levels. None of the samples had metal concentrations above CCR Title 22 TTLC, and the report concluded that the material within the barren area would not be classifiable as a hazardous waste. Youngdahl recommended no further action related to the tailings pile adjacent to Hole 1. They stated, however, that if there were any concerns regarding mercury leaching, the pH of the material could be increased by mixing it with crushed limestone sand to reduce the potential for metals to leach from the material.

The site consists of undeveloped land with portions possibly used for grazing purposes in the past. Currently the site is being used as a staging area for construction of the adjacent apartments. A review of regulatory records revealed one site with environmental problems within the ASTM minimum search distance from the subject, however Youngdahl concluded that this site does not appear to pose a threat to impact the subject property. Youngdahl found no evidence of recognized environmental conditions in connection with the subject property in their November 2001 Phase I Site Assessment. CHFA will require an updated Phase I prior to closing.

A Geotechnical Engineering Study was completed in November 2000 by Youngdahl Consulting Group Inc. to explore and evaluate the surface and subsurface conditions at the site and to develop geotechnical information and design criteria for the proposed project. The study states that the site is suitable for the proposed improvements provided the recommendations presented in the report are incorporated into the project plans and specifications.

In addition, a seismic risk evaluation and NEPA review have been ordered. A condition of the final commitment will be satisfactory review of these documents.

ARTICLE 34:

An opinion letter dated July 2002 from the law offices of Gubb & Barshay LLP was received that states that Article 34 will not apply. The opinion letter is subject to CHFA review and approval by CHFA's legal department.

DEVELOPMENT TEAM:

A. Borrower's Profile

The borrower is Mercy Housing California XXI, a California limited partnership. The developer and initial managing general partner is Mercy Housing California. Mercy, founded in 1968, is a California non-profit public benefit corporation which revitalizes communities through an array of development activities and social services that meet the needs of lower income people. In the past 34 years Mercy has developed over 4,000 residential units in 77 developments, including family, elderly and special needs housing. Several of these projects, including Duchow Way and Padre Apartments, were financed by CHFA. In 1996, Mercy received the Metropolitan Life Foundation Award for Excellence in Affordable Housing.

B. Management Agent

Mercy's non-profit affiliate, Mercy Services Corporation (MSC), will be the property manager for the project. Since its establishment in 1992, MSC has managed Mercy's properties with a commitment to their long-term maintenance. MSC currently manages more than 139 properties with 7,955 units of rental housing nationally for Mercy Housing and third party owners, including 79 sites with over 4,000 units in California. MSC's property management portfolio is exclusively affordable with a growing number of mixed-use properties also. Properties managed include those serving large families, seniors, and special needs. In 2000, MSC was a recipient of the Ashland Good Neighbor Award.

C. Contractor

The contractor has not yet been determined, however, Mercy's in-house construction manager, Randy Underwood, prepared the construction cost estimates based on specifications provided by the architect. In addition, the site work estimates were prepared by Vearkamp General Engineering, the contractor who is currently building the adjacent market rate units.

D. Architect

KTGY Group, Inc. was founded in 1991 to provide planning and architectural design services for residential communities and related specialty projects throughout the western United States. Headquartered in Irvine, KTGY is *85* professionals strong with 15 shareholders. Their goal is to provide a good design that is well accepted in the marketplace, appropriate for the end user, and attains the client's profitability goal. Each client is partnered with a particular team based upon product type and/or region including a Planner, Designer, and Architect.

Project Summary

Date: 26-Aug-02

Project Profile:

Project :	White Rock Apartments		
Location:	2200 Valley View Parkway		
	El Dorado CA	*Cap Rate:*	8.00%
County:	El Dorado	*Market:*	$22,000,000
Borrower:	Mercy Housing CA XXI	*Income:*	$21,800,000
GP:	Mercy Housing	*Final Value:*	$22,000,000
LP:	not yet determined		
Program:	Tax Exempt	***LTC/LTV:***	
CHFA # :	02-008-N	*Loan/Cost*	36.8%
		Loan/Value	45.5%
		Loan/Value inc. Bridge	60.8%

Project Description:

Units	180
Handicap Units	9
Bldge Type	New Const.
Buildings	12
Stones	2 8 3
Gross Sq Ft	219,080
Land Sq Ft	524,027
Units/Acre	15
Total Parking	386
Covered Parking	144 garages & 36 carports
Uncovered Parking	206

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$10,000,000	$55.556	5.85%	35
HCD- MHP	$5,500,000	$30,556	3.00%	55
El Dorado County HOME	$3,000,000	$16,667	3.00%	55
FHLB - AHP	$1,000,000	$5.556	0.00%	35
Contributions From Operations	$140,000	$778		
Borrower Contribution	**$0**	$0		
Deferred Developer Equity	$7.250	$40		
Tax Credit Equity	$7,557,320	$41,985		
CHFA Bridge	$3.375.000	$18.750	5.85%	1

Unit Mix:

Type	35% SMI		50% AMI		60% AMI		Section 8 Increment		Manager		Total
	number	rent*	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom	12	340	10	493	26	601	12	164	0	0	48
2 bedroom	10	401	16	586	32	715	10	225	2	0	60
3 bedroom	12	464	12	678	30	827	12	419	0	0	54
4 bedroom	2	514	6	752	10	919	2	527	0	0	18
subtotal	36		44		98		36		2		
											180

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	2.00% of Loan Amount	$267,500	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	$133,750	Letter of Credit
Inspection fee	$1,500 x months of construction	$22.500	Cash
Construction Defect	2.50% of Hard Costs	$364.904	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$150.085	Capitalized Reserves
Operating Expense Reserve (Req. by HCD)	19.09% of Gross Income	$286.500	Cash
Replacement Reserve (Req. by HCD)	3.00% of Gross Income	$45,000	Cash
Annual Replacement Reserve Deposit	$350 per unit	$63,000	Operations

Sources and Uses

White Rock Apartments

SOURCES:

Name of Lender/ Source	Amount	$Per Unit	%of Total
CHFA First Mortgage	10,000,000	55,556	36.8%
HCD- MHP	5,500,000	30,556	20.2%
El Dorado County HOME	3,000,000	16,667	11.0%
Other Loans	1,140,000	6,333	4.2%
Total Institutional Financing	**19,640,000**	**109,111**	**72.2%**
Equity Financing			
Tax Credits	7,557,320	41,985	27.8%
Deferred Developer Equity	7,250	40	0.0%
Total Equity Financing	**7,564,570**	**42,025**	**27.8%**
TOTAL SOURCES	**27,204,570**	**151,137**	**100.0%**

USES:

Acquisition	2,225,000	12,361	8.2%
Rehabilitation	0	0	0.0%
New Construction	16,201,749	90,010	59.6%
Architectual Fees	395,786	2,199	1.5%
Survey and Engineering	87,000	483	0.3%
Const. Loan Interest & Fees	1,131,197	6,284	4.2%
Permanent Financing	497,938	2,766	1.8%
Legal Fees	15,000	83	0.1%
Reserves	341,500	1,897	1.3%
Contract Costs	14,500	81	0.1%
Construction Contingency	1,028,105	5,712	3.8%
Local Fees	3,736,436	20,758	13.7%
TCAC	105,984	589	0.4%
Other Costs	204,375	1,135	0.8%
PROJECT COSTS	**25,904,570**	**144,359**	**95.5%**
Developer Overhead/Profit	1,200,000	6,667	4.4%
Audit and Tax Returns	20,000	111	0.1%
TOTAL USES	**27,204,570**	**151,136**	**100.0%**

Annual Operating Budget

White Rock Apartments

		$ per unit
INCOME:		
Total Rental Income	1,493,352	8,296
Laundry	0	-
Head Start Lease	7,500	42
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,500,852**	**8,338**
Less:		
Vacancy **Loss**	75,043	417
Total Net Revenue	**1,425,809**	**7,921**
EXPENSES:		
Payroll	179,387	997
Administrative	146,560	814
Utilities	172,500	958
Operating and Maintenance	51,610	287
Insurance and Business Taxes	42,104	234
Taxes and Assessments	18,172	101
Reserve for Replacement Deposits	63,000	350
Subtotal **Operating Expenses**	**673,333**	**3,741**
Financial Expenses		
Mortgage Payments (1st loan)	672,183	3,734
Total Financial	**672,183**	**3,734**
Total Project Expenses	**1,345,515**	**7,475**

Cash Flow — White Rock Apartments — CHFA # 02-008-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Section 8 Increment Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Section 8 Rents	123,600	125,454	127,336	129,246	131,189	133,152	135,150	137,177	139,234	141,323
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,369,752	1,403,996	1,439,096	1,475,073	1,511,950	1,549,749	1,588,492	1,628,205	1,668,910	1,710,633
TOTAL RENTAL INCOME	**1,493,352**	**1,529,450**	**1,566,432**	**1,604,319**	**1,643,134**	**1,682,901**	**1,723,642**	**1,765,382**	**1,808,144**	**1,851,956**
OTHER INCOME										
Other Income Increase	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*
Laundry	0	0	0	0	0	0	0	0	0	0
Head Start Lease	7,500	7,537	7,575	7,613	7,651	7,689	7,727	7,766	7,805	7,844
TOTAL OTHER INCOME	**7,500**	**7,537**	**7,575**	**7,613**	**7,651**	**7,689**	**7,727**	**7,766**	**7,805**	**7,844**
GROSS INCOME	**1,500,852**	**1,536,987**	**1,574,006**	**1,611,932**	**1,650,785**	**1,690,590**	**1,731,369**	**1,773,147**	**1,815,949**	**1,859,799**
Vacancy Rate : Section 8	*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	75,043	76,849	78,700	80,697	82,539	84,529	86,668	88,657	90,797	92,990
EFFECTIVE GROSS INCOME	**1,425,809**	**1,460,137**	**1,495,306**	**1,531,335**	**1,568,246**	**1,606,060**	**1,644,801**	**1,684,490**	**1,725,152**	**1,766,809**
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	609,833	634,226	669,696	685,979	713,418	741,966	771,633	802,498	834,598	867,982
Replacement Reserve	63,000	63,000	63,000	63,000	63,000	66,160	66,160	66,190	66,160	66,190
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	500	510	520	531	541	552	663	574	686	698
TOTAL EXPENSES	**673,333**	**697,736**	**723,115**	**749,510**	**776,959**	**808,657**	**838,346**	**869,223**	**901,334**	**934,730**
NET OPERATING INCOME	**752,476**	**762,401**	**772,191**	**781,825**	**791,287**	**797,404**	**806,455**	**815,267**	**823,818**	**832,080**
DEBT SERVICE										
CHFA - 1st Mortgage	672,183	672,183	672,183	672,183	672,183	672,183	672,183	672,183	672,183	672,183
CHFA - Bridge Loan	3,572,438									
CASH FLOW after debt service	**80,294**	**90,219**	**100,008**	**109,643**	**119,104**	**125,221**	**134,272**	**143,085**	**151,635**	**159,897**
DEBT COVERAGE RATIO - 1st	**1.12**	**1.13**	**1.15**	**1.16**	**1.18**	**1.19**	**1.20**	**1.21**	**1.23**	**1.24**
MHP pymt	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**20,000**	**20,000**	**23,100**	**20,000**	**23,100**
DEBT COVERAGE RATIO - MHP	**1.08**	**1.10**	**1.11**	**1.12**	**1.14**	**1.15**	**1.16**	**1.17**	**1.18**	**1.20**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Section 8 Increment Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Section 8 Rents	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Affordable Rent Increase	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***
Affordable Rents	1,753,398	1,797,233	1,842,164	1,888,218	1,935,424	1,983,809	2,033,405	2,084,240	2,136,346	2,189,754
TOTAL RENTAL INCOME	**1,753,398**	**1,797,233**	**1,842,164**	**1,888,218**	**1,935,424**	**1,983,809**	**2,033,405**	**2,084,240**	**2,136,346**	**2,189,754**
OTHER INCOME										
Other Income Increase	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*
Laundry	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0	0
Head Start Lease	7,883	7,922	7,962	8,002	8,042	8,082	8,123	8,163	8,204	8,245
TOTAL OTHER INCOME	**7,883**	**7,922**	**7,962**	**8,002**	**8,042**	**8,082**	**8,123**	**8,163**	**8,204**	**8,245**
GROSS INCOME	**1,761,281**	**1,805,156**	**1,850,126**	**1,896,220**	**1,943,466**	**1,991,891**	**2,041,527**	**2,092,403**	**2,144,550**	**2,197,999**
Vacancy Rate : Section 8	***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	88,064	90,258	92,506	94,811	97,173	99,595	102.076	104,620	107,227	109,900
EFFECTIVE GROSS **INCOME**	**1,673,217**	**1,714,898**	**1,757,620**	**1,801,409**	**1,846,292**	**1,892,297**	**1,939,451**	**1,987,783**	**2,037,322**	**2,088,099**
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	902,701	938,809	976,362	1,015,416	1,056,033	1,098,274	1,142,205	1,187,894	1,235,409	1,284,826
Replacement Reserve	69,458	69,458	69,458	69,458	69,458	72,930	72,930	72,930	72,930	72,930
Annual Tax Increase	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***200%***	***2.00%***
Taxes and Assessments	609	622	634	647	660	673	686	700	714	728
TOTAL EXPENSES	**972,768**	**1,008,889**	**1,046,453**	**1,085,521**	**1,126,150**	**1,171,878**	**1,215,822**	**1,261,524**	**1,309,054**	**1,358,484**
NET OPERATING INCOME	**700,449**	**706,009**	**711,166**	**715,888**	**720,142**	**720,419**	**723,629**	**726,259**	**728,268**	**729,615**
DEBT SERVICE										
CHFA - **1st** Mortgage	672,183	672,183	672,183	672,183	672.183	672,183	672,183	672,183	672,183	672.183
CHFA - Bridge Loan										
CASH FLOW after debt service	**28,266**	**33,827**	**38,984**	**43,706**	**47,960**	**48,237**	**51,446**	**54,076**	**56,086**	**57,432**
DEBT COVERAGE RATIO - 1st	**1.04**	**1.05**	**1.06**	**1.07**	**1.07**	**1.07**	**1.08**	**1.08**	**1.08**	**1.09**
MHP pymt	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**
DEBT COVERAGE RATIO - MHP	**1.01**	**1.02**	**1.02**	**1.03**	**1.04**	**1.04**	**1.04**	**1.04**	**1.05**	**1.05**

Cash Flow

RENTAL INCOME	Year21	Year22	Year23	Year24	Year25	Year26	Year27	Year28	Year29	Year30
Section 8 Increment Increase	***1.50%***	***1.50%***	***1.50%***	***1.50%***	***1.50%***	***1.50%***	***1.50%***	***1.50%***	1.50%	1.50%
Section 8 Rents	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	**0**
Affordable Rent Increase	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	***2.50%***	2.50%	2.50%	2.50%
Affordable Rents	2,244,498	2,300,611	2,358,126	2,417,079	2,477,506	2,539,444	2,602,930	2,668,003	2,734,703	2,803,071
TOTAL RENTAL INCOME	**2,244,498**	**2,300,611**	**2,358,126**	**2,417,079**	**2,477,506**	**2,539,444**	**2,602,930**	**2,668,003**	**2,734,703**	**2,803,071**
OTHER INCOME										
Other Income Increase	***0.50%***	***0.50%***	***0.50%***	***0.50%***	***0.50%***	***0.50%***	***0.50%***	0.50%	0.50%	0.50%
Laundry	0	0	0	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Head Start Lease	8,286	8,328	8,369	8,411	8,453	8,495	8,538	8,581	8,623	8,667
TOTAL OTHER INCOME	**8,286**	**8,328**	**8,369**	**8,411**	**8,453**	**8,495**	**8,538**	**8,581**	**8,623**	**8,667**
GROSS INCOME	**2,252,784**	**2,308,938**	**2,366,495**	**2,425,490**	**2,485,959**	**2,547,939**	**2,611,468**	**2,676,584**	**2,743,327**	**2,811,737**
Vacancy Rate :Section 8	***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	112,639	115,447	118,325	121,275	124,298	127,397	130,573	133,829	137,166	140,587
EFFECTIVE GROSS INCOME	**2,140,145**	**2,193,491**	**2,248,170**	**2,304,216**	**2,361,661**	**2,420,542**	**2,480,894**	**2,542,754**	**2,606,160**	**2,671,150**
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	1,336,219	1,389,667	1,445,254	1,503,064	1,563,187	1,625,714	1,690,743	1,758,373	1,828,707	1,901,856
Replacement Reserve	76,577	76,577	76,577	76,577	76,577	80,406	80,406	80,406	80,406	80,406
Annual Tax Increase	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***2.00%***	***2.00%***	2.00%	2.00%	2.00%
Taxes and Assessments	743	758	773	788	804	820	837	853	871	888
TOTAL EXPENSES	**1,413,539**	**1,467,002**	**1,522,604**	**1,580,430**	**1,640,568**	**1,706,940**	**1,771,985**	**1,839,632**	**1,909,984**	**1,983,149**
NET OPERATING INCOME	**726,607**	**726,489**	**725,566**	**723,786**	**721,093**	**713,602**	**708,909**	**703,123**	**696,176**	**688,001**
DEBT SERVICE										
CHFA - 1st Mortgage	672,183	672,183	672,183	672,183	672,183	672,183	672,183	672,183	672,183	672,183
CHFA - Bridge Loan										
CASH FLOW after debt service	**54,424**	**54,307**	**53,384**	**51,603**	**48,911**	**41,419**	**36,726**	**30,940**	**23,994**	**15,818**
DEBT COVERAGE RATIO - 1st	**1.08**	**1.08**	**1.08**	**1.08**	**1.07**	**1.06**	**1.05**	**1.05**	**1.04**	**1.02**
MHP pymt	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**	**23,100**
DEBT COVERAGE RATIO - MHP	**1.05**	**1.04**	**1.04**	**1.04**	**1.04**	**1.03**	**1.02**	**1.01**	**1.00**	**0.99**

Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35
Section 8 Increment Increase	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Section 8 Rents	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	2,873,147	2,944,976	3,018,600	3,094,065	3,171,417
TOTAL RENTAL INCOME	**2,873,147**	**2,944,976**	**3,018,600**	**3,094,065**	**3,171,417**
OTHER INCOME					
Other Income Increase	*0.50%*	*0.50%*	*0.50%*	*0.50%*	*0.50%*
Laundry	0	0	0	0	0
Head Start Lease	8,710	8,753	8,797	8,841	8,885
TOTAL OTHER INCOME	**8,710**	**8,753**	**8,797**	**8,841**	**8,885**
GROSS INCOME	**2,881,857**	**2,953,730**	**3,027,398**	**3,102,907**	**3,180,303**
Vacancy Rate : Section 8	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	144,093	147,686	151,370	155,145	159,015
EFFECTIVE GROSS INCOME	**2,737,764**	**2,806,043**	**2,876,028**	**2,947,761**	**3,021,287**
OPERATING EXPENSES					
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	4.00%	4.00%
Expenses	1,977,930 .	2,057,047	2,139,329	2,224,902	2,313,898
Replacement Reserve	84,426	84,426	84,426	84,426	84,426
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	906	924	942	961	980
TOTAL EXPENSES	**2,063,262**	**2,142,397**	**2,224,697**	**2,310,289**	**2,399,305**
NET OPERATING INCOME	**674.503**	**663.646**	**651.330**	**637.472**	**621.983**
DEBT SERVICE					
CHFA - 1st Mortgage	672,183	672,183	672,183	672,183	672,183
CHFA - Bridge Loan					
CASH FLOW after debt service	**2,320**	**(8,537)**	**(20,852)**	**(34,711)**	**(50,200)**
DEBT COVERAGE RATIO - 1st	**1.00**	**0.99**	**0.97**	**0.95**	**0.93**

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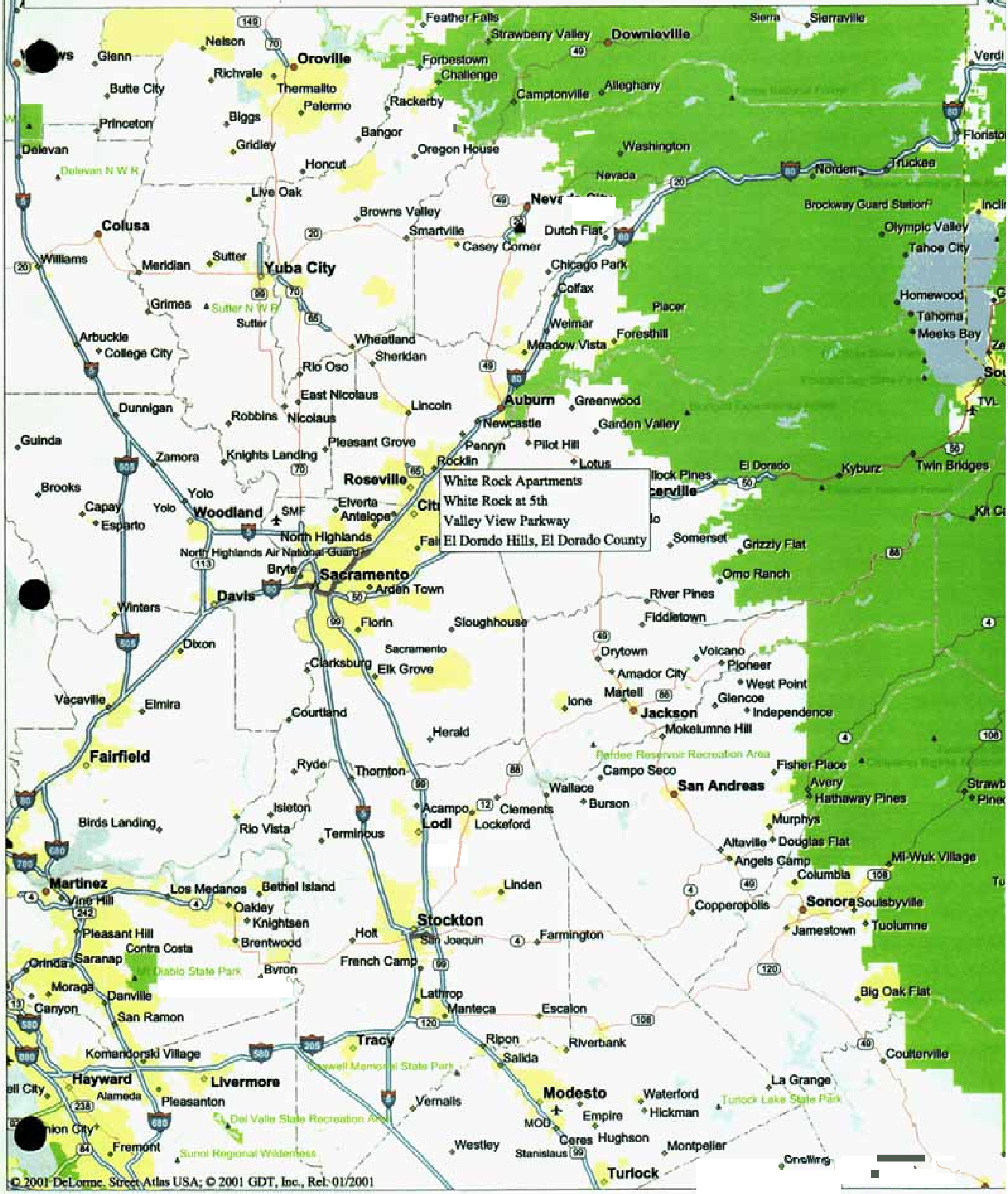
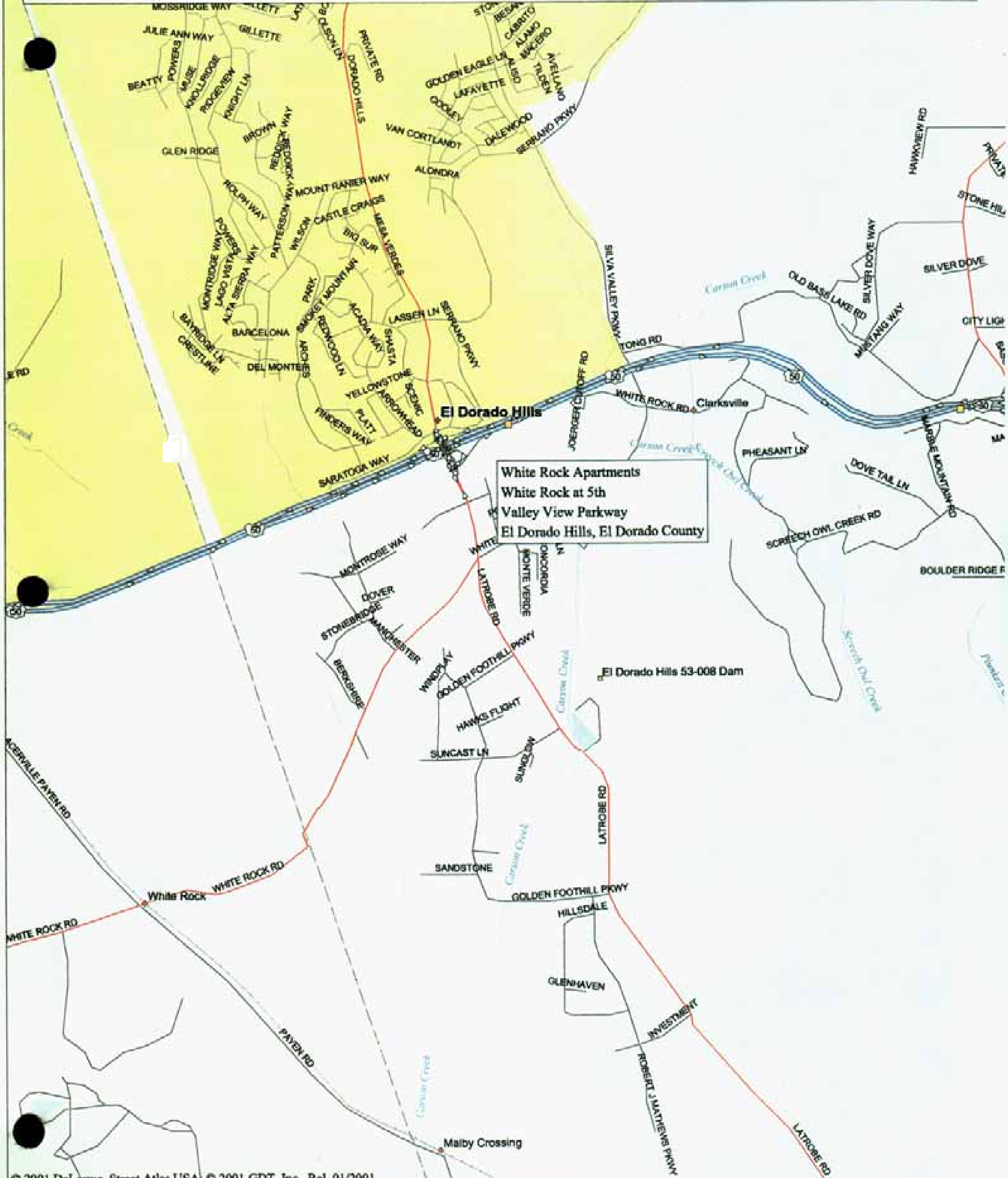
WHITE ROCK APARTMENTS



WHITE ROCK APARTMENTS



RESOLUTION 02-24

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Mercy Housing California XXI, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 180-unit multifamily housing development located in the City of El Dorado to be known as White Rock Village (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 26,2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 11,2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
02-008-N	White Rock Village El Dorado/El Dorado	180	First Mortgage: **$10,000,000** Bridge Loan: $ 3,375,000

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

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

I hereby certify that this is a true and correct copy of Resolution **02-24** adopted at a duly constituted meeting of the Board of the Agency held on September **12,2002,** at Burbank, California.

ATTEST: ________________
Secretary

State of California

MEMORANDUM

To: Board of Directors **Date:** August 29,2002

LGW
Linn Warren, Director of Multifamily Programs
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Attached for the Board's information are CHFA's Section 8 Portfolio Loan Refinance Policy Guidelines.

CHFA Section 8 Loan Portfolio Refinance Guidelines

Introduction

The Section 8 loan portfolio held by CHFA is now approximately 20 years old. This portfolio of 147 projects, representing 8,000 units with loans totaling approximately $338 million is a significant portion of the Agency's affordable housing stock. Given the very low incomes of the tenants who reside in these projects, it is incumbent upon the Agency to implement a lending program that preserves and extends these important housing resources. The following program goals and lending guidelines have been developed with the primary aim of preserving affordability, recapitalizing the projects and extending the regulatory period for affordability. Mis-matched loans and co-terminus loans will have individual guidelines due to their different potential for loss of affordability.

At this time, the Refinance Guidelines contemplate only the sale of Section 8 properties in the CHFA Section 8 loan portfolio to new owners, and not refinancing of existing debt.

Portfolio Goals:

- **Preserve and extend existing project affordability. Implement a new regulatory period to extend past the repayment of new loan(s), up to 50 years from the date of the refinancing. Affordability will be restricted to no more that 60% of median income.**

  - After the expiration of the original project based contract, owners will be required to seek and accept extensions and renewals of the contract.
  - The regulated affordability for the projects will be no greater than 60% of area median income for the full 50 years.
  - The projects will also be subject to the Agency's standard bond requirements of 20% at 50% of area median income.

- Recapitalize existing projects through the refinancing of existing debt, new loans and project reserves.
  - Existing replacement reserves will not be allowed to leave the projects.
  - These reserves, in conjunction with other funds, will serve as capital for project rehabilitation.
  - A new reserve and/or expanded replacement reserve will stay with the project for the term of the 50 year regulatory period. The new reserve gives the project needed funds when the debt is paid off and standard replacement reserves have been depleted.

- Projects undergoing a refinancing will be subject to a comprehensive physical needs assessment and rehabilitation plan to ensure a minimum ***30*** years of useful life.
  - The Agency will employ its normal and customary procedures for the assessment of physical needs and the establishment of a long term capital plan.

- Mitigate potential economic loss resulting from refinancings through the use of various financial measures.
  - Financial measures may include prepayment fees, residual receipts loans, or other financial devices.

- Transfer ownership to motivated and experienced affordable housing sponsors.
  - Both qualified non-profit and for profit owners are encouraged to seek ownership of these assisted projects.
  - The Agency will reserve the right to approve the new owners and management companies.
  - Non-profit general partners must be based in the general geographic area of the project being acquired.
  - Owners and management companies must have demonstrated experience with Section 8 projects.

- Allow reasonable net sales proceeds to sellers subject to appraised values and other valuations for similar types of projects.
  - Sales prices will be subject to review and comparison to ensure reasonableness.

- **Obtain approval from HUD for portfolio wide financing and programmatic issues in addition to individual project approvals.**
  - HUD approval of the general financing plan will be sought before financings commence. Individual project financings will also be presented to HUD for appropriate review and approval if required.
  - Insure the new 30 year loans through FHA Risk Share mortgage insurance whenever practical.

Loan Portfolio Refinancing Guidelines:

30 and 40 Year Loans.

As of September 2001, the Agency had a total of 52 loans with original terms of 30 years, which will generally mature between 2011 and 2017. These 52 loans have an unpaid principal balance of approximately $111 million.

The Agency also had 59 loans, with an original loan term of 40 years which will generally mature between 2016 and 2023. These 52 loans have an unpaid principal balance of $155 million.

30 and 40 Year Loan Refinance Policy.

- **Refinance the projects with new 30 year primary loans underwritten to 50% and 60% AMI level, or as determined by the other program restrictions.**
  - The primary vehicle for refinancing these projects will be bonds and 4% credits, which are normally underwritten to 20% at 50% AMI and 80% at 60% AMI. The term of the first loan will not exceed 30 years and will be fully amortizing. Greater income restrictions imposed by other funds (HOME, CDBG, state or local programs) will be reflected in the underwriting. Debt coverage ratios will be no less than 1.10.

- **Offer a second loan ("B" piece) underwritten to the HAP contract increment for the remaining term of the contract (either 10 or 20 years).**
  - Where contract rents are greater than the underwriting rents, the Agency may offer a "B" loan reflecting that increment (or overhang) for the remaining term of the original contract. The interest rate for the B loan will be the same as the first loan.
  - Underwriting rents for the A loan must be 10% below market at the time of loan commitment and rents will not be trended to reflect potential increases at final funding. Rents for the B loan will be at the contract level assuming the HAP is not adjusted at refinancing.

- **Insure the first loan with FHA Risk Share.**
  - The A loan may be insured, at the discretion of the Agency, under the FHA Risk Share agreement currently in existence between HUD and the Agency with a 50/50 risk allocation.
  - The Agency will self-insure the B loan.
  - For certain projects that may contain a high level of financial risk, the Agency will consider using MAP (HUD) processing and full FHA insurance.

- **Where the HAP contract rents are in excess of comparable rents, a transition reserve and other conservative underwriting requirements will be required to minimize the risk to the new financing.**
  - Loan sizing must reflect the level of anticipated undetwriting rents at transition from project based assistance and the local rental market.

- **Regulate the projects for 50 years, 50% and 60% AMI levels after the primary loan matures.**
  - Projects will be subject to Section 8 project based income restrictions for so long as the contract exists.
  - Projects will be required to seek Section 8 contract renewals after the initial Section 8 contract expires.
  - Affordability restrictions on the project in the event the contract is not renewed will not exceed 20% at 50% AMI and 80% at 60% AMI for the full 50 years.

- **Establish a multi-use reserve for operating shortfalls, transition or general project purposes.**
  - Existing and new reserve funds will not be allowed to leave the project.
  - Project reserves could be exhausted after 30 years and assuming project based assistance has ended, financial sources may be limited to meet immediate project needs for the next 20 years. This multi-purpose reserve could address a number of project related issues and most importantly the funds could not leave the project as a distribution.
  - The sizing of the reserve will vary by project; however, the general goal of reserves equal to one year's debt service at the end of 30 years appears reasonable.

- **Accept reduced yield, up to $10 K net present value (NPV) per unit for projects in high cost areas.**
  - Where fully replacing the existing yield on loan investments may prove difficult, the Agency may, in its discretion, forego some income in exchange for regulating the project for 50 years.

- o This limitation would only apply for high cost areas as defined by the Agency.
- o The Agency reserves the right to mitigate losses in excess of these numbers on a case by case basis outside of the basic refinancing guidelines.

- **Maintain yields, where possible, subject to project viability and bond law restrictions.**
  - o As an alternative, or in conjunction with the policy guideline above, the Agency may require prepayment penalties, residual receipts loans, loans, and other financial measures to offset reduced income after refinancing.

Mis-Matched Loans. The original mis-matched portfolio contained 36 projects with a total outstanding loan balance of approximately $72 million (as of 6/30/01), for an average of $1.9 million per project. A recent analysis of this portfolio indicates there is some immediate opt-out risk and limited regulatory control, consequently a more aggressive preservation lending is required to preserve this housing stock.

Mis-Matched Loan Refinance Policy:

- **Refinance loans at existing rates and terms for non-portfolio preservation loans.**
  - o Due to the greater "at-risk" nature of the mis-matched loans the Agency would not require full spread on the new loans and instead would lend based on current pricing for new, non-portfolio loans.
  - o The exception to this policy would be for loans subject to HUD's Office of Multifamily Housing Assistance Restructuring (OHMAR). Under mark-to-market the Agency would be obligated to make a new, much smaller loan thereby reducing our yield. In this case the loans would be at full spread with interest rates based on the prevailing cost of funds.

- **No blanket or portfolio specific programs except for portfolio sales.**
  - o Refinancings of the mis-matched loans would not fall under the general Section 8 refinance policy. Loans would be processed as a normal assisted preservation transaction including no attempt to maintain current loan yields.

- **Proactively encourage the renewal of HAP contracts with owners along with their project capital needs.**

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RESOLUTION 02-25

WHEREAS, Part 4 of Division 31 of the California Health & Safety Code (the "Code") provides that the California Housing Finance Agency ("Agency") may engage in programs of loan and bond insurance; and

WHEREAS, Section 51611 of the Code creates the California Housing Loan Insurance Fund (the "Fund") for the purpose of insuring loans and bonds; and

WHEREAS, Section 51614 of the Code provides that the Agency is vested with full power, authority and jurisdiction over the Fund; and

WHEREAS, Section 51618 of the Code creates the position of Director of Insurance, who is authorized to manage and conduct the business and affairs of the Fund under the direction and supervision of the Agency; and

WHEREAS, Section 61519 of the Code provides that the Agency may delegate to the Director of Insurance any powers, functions or duties of the Agency in connection with the administration, management and conduct of the business and affairs of the Fund, subject to the approval of the Executive Director; and

WHEREAS, Resolution 93-40 provided for the creation of an Insurance Committee, which was designated as the forum for issues concerning the duties delegated to the Director of Insurance; and

WHEREAS, at the time of the establishment of the Insurance Committee, a ratings agency had required that such a committee be created as a condition of the fund's rating, and

WHEREAS, that ratings agency has indicated that it no longer requires that the Insurance Committee be maintained; and

WHEREAS, the Agency has determined that the management and conduct of the business affairs of the Fund would best be served by the elimination of the Insurance Committee,

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

1. Resolution 93-40 is hereby rescinded.

2. Subject to the approval, supervision and direction of the Executive Director, the Director of Insurance shall (i) manage and conduct the business affairs of the Fund, and (ii)

exercise such powers, functions and duties of the Agency as are authorized by law, or as are necessary or convenient to the administration, management and conduct of the business and affairs of the Fund.

3. The Insurance Committee is hereby terminated.

I hereby certify that this is a true and correct copy of Resolution **02-25** adopted at a duly constituted meeting of the Board of Directors of the Agency held on September 12, 2002, at Burbank, California.

ATTEST: ________________________
Secretary