

BOARD OF DIRECTORS

Thursday, November 14, 2002

The Westin
 San Francisco Airport
 Millbrae, California
 (650) 692-3500

9:30 a.m.

1. Roll Call.
2. Approval of the minutes of the September 12, 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)

<u>NUMBER</u>	<u>DEVELOPMENT</u>	<u>LOCALITY</u>	<u>UNITS</u>	
02-042-N	Mandela Gateway	Alameda/ Oakland	168	
Resolution 02-26157
02-047-S	Woodglen Vista	San Diego/ Santee	188	
Resolution 02-27179

5. Discussion, recommendation and possible action relative to the approval of a consulting and loan underwriting agreement with Ziegler Financial Corporation. (Linn Warren)
Resolution 02-28..... .197
6. Discussion, recommendation and possible action relative to the approval of a new mortgage reinsurance treaty and automation agreement with General Electric Mortgage Insurance Corporation. (Nancy Abreu)
Resolution 02-29..... .201

7. **Discussion of procedures for approval of contracts by Board. (Tom Hughes)**
8. **Discussion of U.C.Student Housing Finance Program. (Linn Warren)**
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: Parking is available as follows:
1) overnight self-parking for hotel guests is \$12.00
per night; and 2) rates for guests not staying at the
hotel is \$1.00 per hour.**

**FUTURE MEETING DATE: Next CHFA Board of
Directors Meeting will be January 9, 2003, at The
Westin Hotel, Francisco Airport, Millbrae, California.**

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS
PUBLIC MEETING

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

Thursday, September 12, 2002
9:30 a.m. to 2:45 p.m.

**"Minutes approved by the
Board of Directors at its
meeting held: November 14, 2002.**

Attest: "

Reported/Transcribed by: Carey Leffler/Ramona Cota

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

CLARK WALLACE, Chairman

EDWARD BAYUK

EDWARD M. CZUKER

CARRIE A. HAWKINS

ROBERT N. KLEIN II

PAT NEAL

JUDY NEVIS

THERESA A. PARKER

JEANNE PETERSON

JACK SHINE

TONI SYMONDS

Staff Present:

TOM 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:

KENNETH CARLSON

KEN GIEBEL

TINA ILVONEN (Consultant to CHFA)

RICHARD LaVERGNE

DIANE RICHARDSON

LINN WARREN

LAURA WHITTALL-SCHERFEE

Members of the Public:

TEALA SCHAFF, Porter Novelli

STEVE SWATT, Porter Novelli

BILL WITTE, Related Companies of California

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1 MS. HAWKINS: Here.

2 MS. OJIMA: Mr. Klein?

3 MR. KLEIN: Here.

4 MS. OJIMA: Mr. Shine?

5 MR. SHINE: Here.

6 MS. OJIMA: Mr. Wallace?

7 CHAIRMAN WALLACE: Here.

8 MS. OJIMA: Mr. Gage?

9 (No response).

10 MS. OJIMA: Ms. Symonds for Mr. Finney?

11 MS. **SYMONDS**: Here.

12 MS. OJIMA: Ms. Parker?

13 MS. PARKER: Here.

14 MS. OJIMA: We have a quorum.

15 CHAIRMAN WALLACE: We have a quorum. We also have
16 a long day. I'm not sure when it is going to end but I would
17 rather think that we did not -- knowing that we had the time
18 we did not try and fill it, so that we try and move
19 expeditiously. If we can get out of here earlier -- from
20 what I understand the freeway system coming in was imperfect,
21 and I think we would just as soon leave early if we can.

22 **APPROVAL OF THE MINUTES OF THE JUNE 6, 2002 MEETING**

23 With that in mind can we look at the minutes and
24 have a motion on the minutes. Okay, if we can't then we will
2s defer that (laughter).

1 MS. HAWKINS: I'll move.

2 MS. NEVIS: So moved.

3 MR. CZUKER: I'll second.

4 CHAIRMAN WALLACE: Did I have a motion?

5 MS. HAWKINS: I made a motion and Judy made a
6 motion.

7 CHAIRMAN WALLACE: Carrie.

8 MR. CZUKER: I second.

9 CHAIRMAN WALLACE: You second. I do have a
10 correction on page 66. Ramona is not with us today but on
11 the thirteenth line she put *sic* after something I said, she
12 was right, however. Page 66 of the minutes. I made
13 reference to projects, which was an imperfect reference, and
14 that word should be *sources*. Line 13, third word. change
15 projects to sources. It was a sick thought. Anybody have
16 any other corrections or additions? Hearing and seeing none,
17 Secretary, call the roll.

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

19 MS. PETERSON: Aye.

20 MS. OJIMA: Mr. Bayuk is not here. Ms. Nevis?

21 MS. NEVIS: Here. Oh, aye, excuse me.

22 MS. OJIMA: Ms. Neal?

23 MS. NEAL: Aye.

24 MS. OJIMA: Mr. Czucker?

25 MR. CZUKER: Aye.

1 MS. OJIMA: Ms. Hawkins?

2 MS. HAWKINS: Aye.

3 MS. OJIMA: Mr. Klein?

4 MR. KLEIN: Aye.

5 MS. OJIMA: Mr. Shine?

6 MR. SHINE: Aye.

7 MS. OJIMA: Mr. Wallace?

8 CHAIRMAN WALLACE: Aye.

9 MS. OJIMA: The minutes have been approved.

10 CHAIRMAN WALLACE: The minutes are hereby approved.

11 Let's go on to Item 3.

12 **CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS**

13 I have already mentioned we have a long day. Let
14 me acknowledge Ken Giebel is here for Item 8 -- and we will
15 give you a better introduction than, Ken -- on Item 8, our
16 branding campaign update. Ken, raise your hand. You cannot
17 hide.

18 MS. PARKER: Ken is our new Director of
19 Marketing.

20 CHAIRMAN WALLACE: We will give you a little more
21 and better intro when we get to your item. Really, I don't
22 have a lot else. There's a couple of things that Linn Warren
23 will be explaining precedent to the -- seven projects, is it?

24 MR. WARREN: Yes, Mr. Chairman.

25 CHAIRMAN WALLACE: We will anxiously await those

1 thoughts that you and Terri and I discussed. We have got
2 quite a bit of policy stuff to go into. It is my intention
3 for Item 6, the lawsuit, to do that coterminous with lunch.
4 We, the Board, will adjourn to a separate room to discuss
5 only that lawsuit, the implications and so on. We will have
6 lunch served for the Board in there and it will be a working
7 lunch. So that's kind of the game plan. I would love to get
8 out of here by **2:30** or **3:00** if at all possible. But
9 anticipate that we will be here, certainly beyond lunch. If
10 we can wrap it all up before then, I will take Item 6 out of
11 order and we will do lunch. So if we can get through the
12 rest of it, hallelujah. I think that may be optimistic.

13 Having said that, I looked at the projects and
14 disgusted (laughter) -- discussing them with Linn over
15 breakfast. I'm really sorry, Linn, I meant digesting them
16 with you over breakfast.

17 MR. WARREN: I have had boards that have started
18 better, Mr. Chairman.

19 CHAIRMAN WALLACE: Well, this may be your final
20 opportunity.

21 MR. WARREN: It has been a pleasure, Clark.

22 CHAIRMAN WALLACE: We have got seven projects that
23 are, you cannot say vanilla, but they are not real
24 complicated. So, Linn, let's go. Oh, Terri, you had some
25 remarks too, didn't you.

1 MS. PARKER: I'll make mine very brief,
2 Mr. Chairman. I apologize, I need to correct one bit of
3 information. I probably didn't make it very clear.
4 Actually, the hotel was very nice and offered us a separate
5 room for lunch and I declined that. Knowing how hard you all
6 want to be working, we are going to kick everybody out of
7 here and they will bring lunch into this room. So nobody has
8 to move, you can just work here. Secondly --

9 CHAIRMAN WALLACE: You are saying the Board must go
10 into Executive Session.

11 MS. PARKER: Right.

12 CHAIRMAN WALLACE: So we are then going to not have
13 a separate room.

14 MS. PARKER: We will kick everyone else out.

15 CHAIRMAN WALLACE: We are staying here and
16 everybody else is going to have a free lunch somewhere.

17 MS. PARKER: Exactly.

18 CHAIRMAN WALLACE: Be free for lunch.

19 MR. SHINE: Would you reword that, please,
20 Mr. Chairman.

21 MS. PARKER: The other item that I wanted to bring
22 to the attention of the Board: Obviously, we will be talking
23 this afternoon about the litigation that we are involved in.
24 But I also wanted to bring to your attention that the
25 Department of Finance sent a letter to us requesting to do an

1 internal audit. Apparently, they had received a letter from
2 a concerned taxpayer. The organization had not had any kind
3 of a general audit for a good ten years and they thought this
4 might be a good opportunity to go through. Although all of
5 our statistics and reporting are done every year, since we
6 are a little unique, they thought it would be good to come in
7 and take a look at us.

8 Which we welcome them; we think it's an absolutely
9 great opportunity. **And** we think the timing really fits well
10 so that we have the internal review going on at the same time
11 that we are, obviously, having a substantial amount of
12 auditing analysis done with the mortgage insurance program.
13 So that we can assure everyone concerned that the
14 organization from inside and out, from all of our operating
15 practices, our accounting practices, our contracting, are all
16 along the lines and following the guidelines that we are
17 supposed to be following. So we think it's a good
18 opportunity. They have been in for about six weeks.

19 They are going to take a little bit of a break in
20 order to allow our accounting staff to complete the books and
21 then come back in. But they are doing a very thorough
22 evaluation. I think that they will have, actually, some good
23 recommendations for us. I don't think we will find that they
24 will have any negative findings. But if we do, it will be
25 something that we have just overlooked and welcome the

1 opportunity to go out and improve ourselves. So we will keep
2 you apprised of that.

3 That's all I had to report, Mr. Chairman.

4 CHAIRMAN WALLACE: Wonderful, well done. Okay,
5 Linn, Item 4 on our agenda. A couple of discussion items and
6 then into the projects.

7 MR. WARREN: Thank you, Mr. Chairman. I wanted to
8 take a moment before we started the projects to inform the
9 Board of a couple of programmatic initiatives that the Agency
10 is undertaking since the adoption of our Business Plan in
11 May. The first has to do with HOPE VI projects. By way of
12 background, HOPE VI projects are a major federal initiative
13 on behalf of HUD to revitalize and recapitalize existing
14 public housing projects. It is a massive infusion of federal
15 dollars; it is also a large user of tax credits.

16 The Agency to date has not been involved in these
17 because most of the debt financing for HOPE VI comes from
18 conventional sources in an area that we really haven't
19 focused on. But recently some of our partners have asked us
20 to become involved in HOPE VI financings for a couple of
21 reasons. The first is they would like to have the Agency
22 involved in these affordable housing initiatives on a long-
23 term basis, and we think that is an appropriate role for us.

24 The second is that there are new models that are
25 being developed from the financing standpoint that involves

1 tax-exempt financing as opposed to pure taxable financing.
2 The Agency's strength in this area is something that we think
3 we can benefit with these types of project.

4 A third area has to do with the Agency's use of its
5 **own** funds in a subordinate financing standpoint. Generally,
6 the Agency has not made subordinate loans in the past, or gap
7 loans. But in the HOPE VI projects, some of which do have
8 gap financing or financing shortfalls, we think it is
9 appropriate that the Agency use its FAF money--the moneys
10 that we use from Section 8 surpluses are in surplus, also
11 from Section 8 projects and our **own** HAT funds--to provide
12 subordinate residual debt. The main reason for doing this is
13 to lessen the burden of locality monies that are needed to
14 make HOPE VI projects work and, arguably, also state and
15 federal funds.

16 So that is the initiative. We have three projects
17 that we have submitted applications or letters of interest in
18 Northern California and two more in Southern California. The
19 Southern California ones are the ones that are looking at the
20 tax-exempt/taxable combination of financing.

21 The second initiative that we are looking at is a
22 departure for the Agency. We have been approached by the
23 Office of the President of the University of California to
24 seriously consider financing student housing on campus. The
25 UC has developed what we think is a very effective model in

1 which the land is leased to a developer, probably a
2 nonprofit, and then the financing projects are secured
3 through 501(c) (3) bonds. Our preliminary indication from
4 bond counsel and our own legal staff is that we have the
5 authority and the financial capacity to do these projects.

6 These are apartment buildings, they are not
7 freshman dormitories. They are full apartments, they meet
8 all the bond tests, they have a very high level of amenities.
9 They are all wired, as you can imagine, for the students.
10 Generally speaking, the UC has said that they want these to
11 be the highest quality that the projects can afford. There
12 are a number of policy, programmatic and underwriting issues
13 that we have to work through, but we think that this is a
14 very good match between the Agency's ability to issue pooled
15 bond 501(c) (3) financing in conjunction with the model that
16 UC has developed.

17 Already our preliminary analysis indicates that we
18 can save a significant amount of money on bond issuance costs
19 by just using our own mechanisms. So we are at the very much
20 preliminary stage on this issue. There are a number of
21 underwriting issues and affordability issues that we have to
22 address for the UC, but we think this might be an effective
23 marriage between our capacity and expertise and a clear need
24 that exists within the UC campuses.

25 We have much more to do. We will have more for the

1 Board in November. We are looking prospectively at a couple
2 of projects with a sponsor, EAH, that we know very well, who
3 have been involved in this for a number of years. But more
4 to come. So that is a departure for us, it is different, but
5 we think it is a unique opportunity for us to examine this.

6 The third area, and more of a housekeeping note:
7 You will notice in the projects today we have a number of
8 environmental issues. It seems to be a trend these days. To
9 help us with this we will most likely be engaging the URS
10 Corporation, which now does our seismic review. They are
11 better known, actually, for their environmental expertise and
12 we intend to form a relationship with URS similar to our
13 seismic relationship in which we have a single expert that
14 our programmatic and legal staffs can go to, when the
15 projects are brought to us, and when we have to evaluate
16 remediation at the end. So you will see that more and more.

17 It is an area that we think we need to step up our level of
18 expertise and we will do that not only with our own staff but
19 by hiring outside experts.

20 So, Mr. Chairman, those are the little brief
21 overview marks. If you want to take questions or make
22 comments, we would be happy to --

23 CHAIRMAN WALLACE: Besides the UC nine campuses was
24 CSU also, the state university system, also looking for a
25 similar relationship?

1 MR. WARREN: Not at this time. The CSU has a
2 different financing law within UC. CSU has issued its own
3 debt, and by most accounts--probably some of the Board know
4 better than I--but by most accounts, they are having some
5 capacity issue. But the leasehold firewall, if you will,
6 between the developer and the leasehold appears to be a UC
7 model, and I am just not familiar with the CSU system at this
8 juncture.

9 CHAIRMAN WALLACE: So we are --

10 MR. WARREN: Obviously, there will be discussions
11 with them as well at some time.

12 CHAIRMAN WALLACE: There will be discussions?

13 MR. WARREN: I think so.

14 CHAIRMAN WALLACE: But there is nothing rising to
15 the level of the discussions with the UC system.

16 MR. WARREN: That's correct.

17 CHAIRMAN WALLACE: **Any** questions? Yes, Toni.

18 MS. SYMONDS: In your preliminary discussions with
19 UC, have you had an opportunity to talk about income
20 eligibility? Students, obviously, often are very poor but it
21 doesn't necessarily translate to parents who have a college
22 student. But I'm wondering how is that piece then set?

23 MR. WARREN: It is an issue and I'm glad you
24 brought it up. Under our lending statutes, we have to set
25 aside a minimum 20 percent of the units at 50 percent of

1 median income. There have been requests made by UC and the
2 sponsors for us to examine not having any affordability
3 restrictions because some of the campuses feel that the way
4 the students work, and if you count the parents' income, they
5 may not qualify.

6 This is a real policy issue for us. We have told
7 them to date that we are unwilling to do that. We do want to
8 look at it from the standpoint that, can the Agency supply
9 such a benefit through its financing, that this is something
10 we might want to insist on. That's tough for us. That's
11 what we do and it would be a lot for us to walk away from.
12 The projects we are looking at to date worked very well with
13 the affordability set-aside, and it will take a fair amount
14 of convincing, I would think, Ms. Symonds, for us not to do
15 that. But that said, we need to see how much of a need is
16 being met by our financing. And it may obviate it, we just
17 don't know yet. But that is a tough one for us.

18 **CHAIRMAN WALLACE:** Ed.

19 **MR. CZUKER:** While I am very supportive of student
20 housing and the need for student housing, because of its
21 seasonal nature with semesters and terms, won't that also
22 affect the ability to perform on debt service? Especially.
23 when there are breaks or summer school or periods when they
24 are out. And then are you also thinking in terms of mixed-
25 income with some market rate or are you thinking at 100

1 percent affordable?

2 MR. WARREN: These would essentially be almost
3 completely market rate, Mr. Czucker, except for the
4 affordability set-asides. So the model would be essentially
5 an 80/20 at this juncture. The underwriting exercise, given
6 the seasonality of the cash flow, is very interesting. We
7 have bifurcated graduate and upper division in different rent
8 structures, we did seasonal, there are sinking fund reserves.
9 There are a number of financing techniques that we have to
10 use. And I would also add that UC is aware of that, and any
11 residual cash that is available underneath the residual
12 leasehold framework goes to either reduce the primary debt or
13 for project reserves. In short, UC wants to see the debt
14 load off these properties as soon as they can, because they
15 want to own them someday.

16 MR. CZUKER: As a follow-up, does that mean that --
17 You were mentioning that they are primarily long-term leases.

18 MR. WARREN: Yes.

19 MR. CZUKER: Are the lease payments subordinate to
20 the financing?

23 MR. WARREN: Yes they are, they are all residual.

21 MR. CZUKER: Is the financing secured or is it
22 forced to -- Is it a subordinated lease?

24 MR. WARREN: It is a leasehold mortgage.

25 MR. CZUKER: With the subordination of the

1 landlord?

2 MR. WARREN: Yes.

3 CHAIRMAN WALLACE: Bob.

4 MR. KLEIN: Two comments. One is that there are
5 certainly certain UC campus markets, like Santa Cruz, where I
6 happen to have some expertise because my daughter just
7 graduated from Santa Cruz.

8 CHAIRMAN WALLACE: No rebates, Bob.

9 MR. KLEIN: No rebates. Where the private market
10 requires that the student sign year leases and pay for the
11 entire year. It is their obligation to sub-lease. It does
12 not matter whether they are going to attend a summer session
13 or not. And there are a number of these markets where the
14 market is on a long-term basis, historical as well as
15 projected, require this kind of year lease obligation, which
16 substantially mitigates the seasonality. Although on a
17 future basis, in the out years, you don't know that this will
18 be there so you need some provision.

19 Secondly, I would wonder, since the faculty have
20 such a difficult time in some of these high-cost urban
21 markets, whether you are looking at faculty housing. Within
22 that context, I certainly endorse having the affordability
23 component. **As** to students and/or faculty housing: On the
24 student side, I would think you have enough students who are
25 old enough so that they are independently filing tax returns

1 and definitely need the assistance.

2 On the faculty side, in the faculty housing,
3 perhaps administrative staff and other people working on the
4 campus if the faculty is being paid above the 50 percent of
5 median margins might take the housing. But there are
6 certainly some faculty assistants that are not paid above 50
7 percent of median. So the question, I guess, besides the
8 comment, is: Are we looking at faculty housing for the UC
9 system?

10 MR. WARREN: Not at this time.

11 MR. KLEIN: Okay.

12 MR. WARREN: I think we --

13 MS. PARKER: Let me make one comment about this.
14 The question has been put to CHFA, it has actually been put
15 to the state. Pat sits on a task force that is looking at
16 housing for the education systems. We have had a number of
17 contacts. Usually Ken Carlson and I have met -- We have had
18 contacts from the CSU system, we have had contacts from the
19 UC system, we have had contacts from, actually, some private
20 educational institutions. They have talked with us about
21 student housing, they have talked with us about faculty
22 housing, they have talked to us about a number of things,
23 really, over, I'd say, the last three or four years.

24 What Linn has brought to your attention today is at
25 the moment probably the most evolved concept. UC has

1 actually done this and they have a model. The rest of these
2 discussions that have occurred, and people have talked with
3 us are, you know, perhaps they may evolve or they may not.
4 The early-on discussions, we are trying to have it,
5 essentially, access our programs and we essentially said tax-
6 exempt financing does not qualify for these kinds of folks,
7 particularly the student housing. That is why the UC has a
8 model that may be functional and it is 501(c)(3). It does
9 not use our normal kinds of financing.

10 We are really having people come and approach us.
11 They are bringing models. We have not seen this as our
12 responsibility to design or develop or come up with a
13 solution because it is really a question about how much of
14 our regular mission it is. But I think what we want to try
15 to do is we want to alert you to the UC discussions, and also
16 that we have been contacted by a number of entities who are
17 trying to look to see whether or not we can help make a
18 difference.

19 CHAIRMAN WALLACE: Pat.

20 MS. NEAL: Thank you, Clark. As Terri mentioned, I
21 serve on the President of UC's housing task force. We have
22 developed a number of these concepts and, of course, that is
23 part of why they have contacted you, Linn. We think we have
24 come up with some very creative ideas, but a lot of them
25 probably would not fit into our programs and I had talked to

1 Terri about them quite awhile ago. But some of the things
2 that develop probably would, so they are still working on it.

3 Besides faculty, they **also** have service workers and
4 technical personnel that come into lower income categories.
5 The third party development concept, which is one that they
6 are very excited about, is probably one of the places that we
7 would fit in a lot more than any place else. It is critical.
8 The projections on enrollment and the projections on housing
9 shortages all throughout the entire system are just terrible,
10 just dreadful. Our housing task force proposal is to go to
11 the regents, I believe this month. I am sure you will hear
12 more as this progresses. But it is pretty exciting to try
13 get **CHFA** involved in it in some way.

14 **CHAIRMAN WALLACE:** Jack and then Jeanne.

15 **MR. SHINE:** Just a question. Is the reason that we
16 are entertaining these discussions and talking about this --
17 because this is a program that we can do to provide some
18 housing where we could not provide it in any other way in
19 other areas? In other words, are they bringing to us
20 something that we did not have before to do this, or is this
21 taking away in any way from our capacity to expand the
22 fundamental mission of providing housing for families?

23 **MS. PARKER:** Actually, we have gone through our
24 statutes, and our statutes do provide for us do this kind of
25 housing, because as long as it is covered under housing

1 element that is within our mission. I think the question in
2 the particular case of UC, Linn, is that this housing would
3 probably get done, although the question is whether or not it
4 will cost the education system more to do it.

5 MR. WARREN: Yes.

6 MS. PARKER: And in that sense, by partnering with
7 us, a sister state agency, is there some economies of scale?
8 Since we would be using 501(c)(3), it is not in competition
9 with the other kinds of housing we do.

10 MR. SHINE: That's important.

11 MS. PARKER: Which is very important. So this is a
12 situation of whether or not. We just need to look at this as
13 an added role. The capacity is going to be a very big
14 question. We have to, essentially, look at the issue of how
15 this impacts the capacity of the Agency, our resources.
16 Again, that is why Linn has brought this up, to essentially
17 plant the seed. We have been contacted the past couple of
18 years, but this may have a -- there may be a little bit more
19 to it and we want to bring it to your attention.

20 CHAIRMAN WALLACE: Jack.

21 MR. SHINE: Let me rephrase it so I can --

22 MS. PARKER: I didn't answer it?

23 MR. SHINE: No, you did, but I need to put it in
24 builder talk. In other words, absent this program, we could
25 not go ahead in some other way and expand elsewhere, that we

1 would not be able to expand, because of doing this program.

2 CHAIRMAN WALLACE: Try that one more time.

3 MR. SHINE: When you said --

4 CHAIRMAN WALLACE: Do we have the capacity? No.

5 But we could expand and not jeopardize -- We could expand and
6 not jeopardize other programs if we chose to.

7 MR. SHINE: Could we --

8 CHAIRMAN WALLACE: It is going to be a long road.
9 We have a lot of things to worry about before we get there.
10 We are basically trying to get your antenna up, which we
11 obviously have.

12 MR. WARREN: If I could address that, Mr. Shine.
13 The way that we look at new initiatives is that we do some
14 preliminary staff work and see, number one, is it feasible.
15 The second test is, how much resources is this going to take
16 away from us from our primary initiative. Terri's point is
17 exactly right. This could impact our ability to do other
18 programs if we cannot find the capacity and resources and
19 staffing to do this.

20 We turn down initiatives, not on a regular basis
21 but occasionally, in which we think it is an appropriate role
22 for us to be in, but we do not have the resources to pull it
23 off so we do not undertake it because we do not want to harm
24 our existing work. We do that daily. That is just good
25 business practice. So Terri and I have discussed this. We

1 wanted to be very clear that before we embark on this
2 initiative, which is a major one, we have the capacity both
3 in staff personnel and salaries that allow us to do it. If
4 we can't, then we won't, quite candidly.

5 CHAIRMAN WALLACE: Okay, Jeanne.

6 MS. PETERSON: I'm glad that you gave that
7 explanation because I think that we do need to keep focused
8 on what the primary mission of the Agency is. I think also I
9 would hope that as you go forward that you do liaise with --
10 there is within the Treasurer's Office an authority, albeit a
11 small one, whose very name is the California Educational
12 Facilities Authority, or CEFA. Hopefully, you will be having
13 conversations with them as you go forward to see what CHFA's
14 role might be in relation to that.

15 And on a totally different note, I would like to
16 ask you about the HOPE VI initiative that you mentioned and
17 to ask whether or not the applications and the conversations
18 that you have had relate to already-awarded HOPE VI deals or
19 to new applicants.

20 MR. WARREN: I believe that the one in Oakland is
21 already awarded. That is the only one that we are aware of.
22 The other one in San Francisco, we are not formally in the
23 financing structure at this time, we may be. That has not
24 been awarded. I believe the Oakland one, in which we are
25 further along in the process, has been awarded. That is my

1 understanding, I could be wrong in that. What we did,
2 Ms. Peterson, was give a letter of interest of financing.

3 MS. PETERSON: Because you mentioned several in
4 Southern California.

5 MR. WARREN: There are two in Southern California,
6 and I do not know the status of the HOPE VI awards.

7 MS. PETERSON: Okay.

8 MR. WARREN: I am just not aware of them.

9 MS. PETERSON: I would also suggest that staff, you
10 or whoever you designate, and the tax credit committee keep
11 in good touch about that. Because as I think you mentioned,
12 the HOPE VI deal has taken a huge amount of our competitive
13 resources. We, obviously, every year rethink our own
14 regulations, so it would be good to coordinate on that.

15 MR. WARREN: That's correct, Ms. Peterson. And the
16 interchange between the ability to secure credits versus the
17 timing with the HOPE VI awards is critical, and it is
18 something we all have to look at. Yes, it is.

19 CHAIRMAN WALLACE: Carrie, you wanted to talk about
20 USC muscling in on this program, didn't you?

21 MS. HAWKINS: No. However, as most of you know, I
22 am a lender, not an educator. But what I found as a lender,
23 we need a more educated population in order to break the
24 cycles of dependency and to have people become more self-
25 sufficient as quickly and as efficiently as possible.

1 Because of the demands on the financing sources and the
2 limitation of us being able to provide housing for a
3 constantly growing population that can't afford housing.

4 So wherever you can, I think we should collaborate
5 with others and leverage our ability so that we work it from
6 both ends. I think this more-than-shelter concept, we must
7 apply it wherever we can. Without jeopardizing our primary
8 focus, of course. I applaud you in bringing that to our
9 attention. Thank you.

10 CHAIRMAN WALLACE: Enough said for now. I think
11 there's obviously a lot of interest on our part, but we are
12 at the walking stage. We have got to stand by until we see
13 if you can work things out. As I told you at breakfast, my
14 gut is we still ought to have an affordability concept in
15 there. That's our whole reason for being. It's complicated,
16 I understand, so come back and solve all our problems.

17 MR. WARREN: Yes, Mr. Chairman.

18 MR. KLEIN: Mr. Chairman, can I ask another
19 question that involves this program, but more general?

20 CHAIRMAN WALLACE: No. Okay. Yes, you can.

21 MR. KLEIN: I am wondering whether CHFA has been
22 exempted in terms of hiring freeze and cutbacks because we
23 are self-supporting, and how this goes to the issue of our
24 staff capacity for this program or other initiatives that are
25 critical to the state's economic recovery.

1 MS. PARKER: Well, I am pleased to announce that
2 when the hiring freeze was put on by the Governor, actually
3 late last fall, the California Housing Finance Agency went to
4 the Department of Finance and we probably were one of the
5 first state entities to be given, granted an exemption from
6 the freeze. Mr. Warren may have mentioned he has done some
7 significant hiring in the last several months. We actually
8 have a great deal of pride that he has got a fantastic team,
9 some of which are new people who we will be introducing here
10 today.

11 So we have the ability to be exempt from the hiring
12 freeze. We are not part of any of the budget reductions, the
13 budget that was signed by the Governor just a week or two
14 ago. It has a 7,000 position reduction in it across state
15 government; we will not be part of that in any way. However,
16 we still are in the situation where our positions are civil
17 service and are tied to salaries that are done by DPA and
18 that's part of this we will have to look at, Department of
19 Personnel Administration. But I think the good news is that
20 with those constraints, at the moment we have been able to
21 attract some very qualified staff.

22 MR. KLEIN: In our discussion of HOPE VI, we
23 brought up the issue that there is a big burden that goes
24 into TCAC to make that work. I think TCAC staff has been
25 frozen. And the question is, if we are economically healthy,

1 which I believe we are, and have the resources, because our
2 program expansions and viability are so critically dependant
3 on TCAC, should we be considering lending personnel to TCAC
4 during this difficult period to help them through a period
5 where their functioning is critical to the effectiveness of
6 all of our programs.

7 CHAIRMAN WALLACE: Do you want to buy him lunch or
8 dinner?

9 MR. CZUKER: It sounds like she already has.

10 CHAIRMAN WALLACE: Terri, is there a --

11 MS. PARKER: Jeanne occasionally calls us to ask us
12 for help and we certainly try to do that. I think if we did,
13 that the line would be very long. Tax Credit, it would be
14 CDLAC, it would be HCD. The other part of that, that's a
15 little bit awkward, they have gone and asked for freeze
16 exemptions and, unfortunately, they have not been granted
17 them to the same extent that we have. So I would not want us
18 to be in a situation where people would feel that we were, at
19 CHFA, circumventing a process and, in that sense, jeopardize
20 our own very unique exemption. So I think that Ms. Peterson
21 knows, as Julie, that we want to try to help as much as we
22 can. We have certainly gone to Finance and tried to lobby on
23 behalf of them for this. They also are really fee driven, so
24 it is not like it is impacting the general fund.

25 CHAIRMAN WALLACE: Right.

1 MS. PARKER: But I have to tell you that all across
2 state government, there are a number of authorities that are
3 fee-supported that have not been given freeze exemption.
4 There are hospitals and nursing homes in line that are not
5 staffed to process documents and it is really an unfortunate
6 situation.

7 MR. KLEIN: Well --

8 CHAIRMAN WALLACE: Bob, I would like to move on.
9 Your sense is laudable. Terri is, in essence, saying very
10 informally, we will help where we can. But to formally do
11 anything would be serious.

12 MR. KLEIN: Yes. I actually, Mr. Chairman, think
13 that this is going to be very critical to the whole
14 affordable housing industry in the state. My problem here is
15 maybe we should formally ask if we could, in fact, help these
16 sister departments so that if they won't give them the
17 exemption, if we could formally ask for an endorsement of
18 this effort to keep this whole area functioning. Because
19 this area functioning is critical to the state's economic
20 recovery and produces a lot of tax revenue for the state.

21 CHAIRMAN WALLACE: If I was at DPA --

22 MR. KLEIN: With that said, I will --

23 CHAIRMAN WALLACE: -- I would say, if you have got
24 all that excess capacity, let's have at it. **And** I have run a
25 state department before and I --

1 MR. KLEIN: Well, I'm glad you're not there.

2 CHAIRMAN WALLACE: You should be. But I think
3 that's the answer you get.

4 MS. NEAL: Yes.

5 CHAIRMAN WALLACE: And I would not want to
6 jeopardize our fat-cat status, quote/unquote, that would be
7 thrown at us. So I think the answer is, as you heard, where
8 we can do it informally, we want to do it. Anything that got
9 formalized I think would be not in the best interest of CHFA
10 and housing in general. If I were in the private sector, I
11 would be behind you all the way. It doesn't work that way.
12 Can we move on, please, to the projects? Because I would
13 still like to get through these by noon, Linn.

14 MR. WARREN: Yes. Mr. Chairman, I was talking to
15 Laura. We will move through the slide presentations, the
16 material presentations, fairly quickly. We want to leave as
17 much time as the Board requires for questions. So if we are
18 a little more rapid than our normal pace, it is because of
19 the time frame this morning. So if we go too fast, let us
20 know; otherwise, I think we are going to rock and roll.

21 **RESOLUTION 02-18**

22 The first project for your consideration today is
23 **4S** Ranch Apartments. This is a first mortgage loan request
24 for a 120-unit new construction family project. I am going
25 to stop right there and introduce Edward Gipson, who I

1 neglected to introduce earlier. Edward is a mortgage officer
2 that has joined us. Ed had a number of years with Cal
3 Mortgage with the state and we are very fortunate to have
4 him. Ed, by the way, is an expert in assisted living and
5 senior care. One reason we asked Ed to join us 'is he has a
6 long background in this. And as we have these senior
7 projects come in, they will be Ed's area. We are very
8 fortunate to have Ed join us. So with that, I'll continue.

9 The first mortgage amount, **\$7,420,000**, 35-year
10 fully amortized loan, 5.85 interest rate. We also have a
11 second bridge loan to qualify for **4** percent credits in the
12 amount of **\$3,870,000**, 5.8, 3-year payoff in **3** years. There
13 is a fair amount of locality involvement as you will see. We
14 have almost \$1 million in HOME funds from the County of San
15 Diego. Since this is a master plan development project, the
16 master developer has contributed \$1 million in residual
17 receipts, essentially, the site acquisition, and they will
18 have subordinate loan residual receipts for **55** years. So
19 with that, Laura, want to take us through the pictures?

20 MS. WHITTALL-SCHERFEE: 4S Ranch is located near
21 Rancho Bernardo in San Bernardino County (sic). It is a **344-**
22 acre master plan community. As you can see from this first
23 slide, it is primarily residential. The homes that have
24 already been constructed were constructed about a year or two
25 ago, but most of it is still under construction.

3 The site is outlined in white. It is surrounded by
2 one- to two-year-old homes and a lot of new construction.
7 There is also a small water treatment plant that is separated
4 by a berm, a six-foot wall that you will see later on. There
5 are no -- there is no impact from that water treatment plant.
E This is a view of the site from across the street from Dove
7 Canyon Road. The noise study has requested that dual pane
e windows be used and mechanical ventilation for all units that
9 border Dove Canyon Road and that back up against the water
10 treatment plant. So those have been incorporated into our
11 design. The expectation is for the noise that will be
12 occurring on Dove Canyon Road since most of this is brand
13 new. This is a view of the retaining wall. The **12-** to **13-**
14 foot berm and the 6-foot retaining wall on top of it to
15 separate the site from the water treatment plant.

16 These are the new single-family homes across Dove
17 Canyon Road from the site. This represents the market rate
18 graphs along with the affordable rents. We will be renting
19 at **50** and **60** percent of median income. The market for one-
20 bedroom units is **\$977**, for two- it's **\$1,263** and for three-
21 bedrooms it is **\$1,537**. The **50** and **60** percent rents are at
22 **\$570** and **\$645** for a one-, **\$638** and **\$703** for a two-, and **\$703**
23 and **\$889** for the three-bedroom units. Market rate rents in
24 the area are closer to **\$1,500** to **\$1,700** a unit.

25 The average household income for owner occupants in

1 4S Ranch is about \$95,000; for renters in the same area that
2 drops to \$50,000. There are quite a few people within the 4S
3 Ranch market area, over 900 households that make below
4 \$15,000 a year, and another 1,408 households that earn
5 between \$15,000 and \$25,000. So you can see there is a great
6 need for affordable housing in the 4S Ranch area.

7 The environmental: There was an overall project-
8 based environmental that is dated August 12, 2002, because
9 the initial Phase 1 was done on the entire subdivision.
10 While there is an above-ground storage tank that is in place,
11 it is within a plastic-lined earthen berm and a previous
12 above-ground storage tank was removed. The findings are that
13 everything is fine and no additional information is needed at
14 this time. There is some methane gas in the area. This is
15 common in the San Diego County area. We saw this with Torrey
16 Del Mar, and the report is recommending a passive venting
17 system that has been incorporated into the design.

18 MR. WARREN: Thank you, Laura. The sponsor is
19 BRIDGE Housing, the Southern California operation. We are
20 very familiar with BRIDGE in Southern California and BRIDGE
21 will also property manage, as they do with their projects.
22 So with that, we would like to recommend approval and be
23 happy to answer any questions.

24 CHAIRMAN WALLACE: Any questions? Bob.

25 MR. KLEIN: The bridge loan is showing here it is

3 tax-exempt for \$3,870,000. That exceeds what would be
7 required to reach the 55 percent test for 4 percent credits
8 by \$2,759,000. So my question is, why aren't we,
4 particularly on a three-year loan, using as much taxable as
5 we can so we minimize the tax-exempt allocation we are
6 pulling down? If we were to save \$2,759,000 of tax-exempt
7 allocation, someone else could do another \$5 million project
8 and for a three-year loan, we can get down to the rate we are
9 projecting here anyway.

10 MR. WARREN: Previously, we did limit the amount of
11 allocation to 60 or 70 percent. Recently, quite frankly,
12 Mr. Klein, with the excess allocation that has come up with
13 general pool projects, we have gone back to honoring the
14 sponsors' requests for full tax-exempt bridge loans.
15 Including what would normally have had a taxable component,
16 if you will. We did that in response that we felt that there
17 was excess allocation that could be given. What is now
18 occurring, as you know, is that allocation is tightening up
19 again and we may have to revisit that. So while the
20 allocation was there, we honored the sponsors' request to do
21 so. If the allocation gets tight, we may have to go back to
22 taxable components again.

23 MR. KLEIN: Right. Because within a 5.85 rate on a
24 3-year term, we can deliver that same rate using taxable and
25 allow the system to keep \$2.7 million of tax-exempt

1 allocation.

2 MR. WARREN: I think it is probably pertinent to
3 revisit that as the allocation tightens up.

4 MR. KLEIN: Thank you.

5 CHAIRMAN WALLACE: Ed.

6 MR. CZUKER: I am supportive of the project. I was
7 just questioning who the appraiser was because on the market
8 rate levels, some of those rents appear to be on the high
9 side of market rate for that location. Obviously, at the
10 affordable limits it won't impact what we are doing, but I am
11 curious who the appraiser was and whether you are comfortable
12 with the market rate assessment.

13 MS. WHITTALL-SCHERFEE: Yes. The appraiser on this
14 was Pacific Evaluations and we have been very, very
15 comfortable with his work. He has done a lot of the
16 appraisals for us and for the construction lender as well.
17 The construction lender has also had an opportunity to review
18 the appraisal and they felt that it was in line.

19 CHAIRMAN WALLACE: Any other questions? Somebody
20 want to make the motion? Any questions from the audience?

21 MS. HAWKINS: I'll make a motion to approve.

22 CHAIRMAN WALLACE: A motion by Carrie.

23 MR. CZUKER: Second.

24 CHAIRMAN WALLACE: A second by Ed and jointly with
25 Bob. Any question on the motion? Hearing and seeing none,

3 Secretary, call the roll.

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

MS. PETERSON: Aye.

4 MS. OJIMA: Mr. Bayuk?

5 MR. BAYUK: Aye.

6 MS. OJIMA: Ms. Nevis?

7 MS. NEVIS: Aye.

8 MS. OJIMA: Ms. Neal?

9 MS. NEAL: Aye.

10 MS. OJIMA: Mr. Czucker?

11 MR. CZUKER: Aye.

12 MS. OJIMA: Ms. Hawkins?

13 MS. HAWKINS: Aye.

14 MS. OJIMA: Mr. Klein?

15 MR. KLEIN: Aye.

16 MS. OJIMA: Mr. Shine?

17 MR. SHINE: Aye.

18 MS. OJIMA: Mr. Wallace?

19 CHAIRMAN WALLACE: Aye.

2a MS. OJIMA: Resolution **02-18** has been approved.

21 CHAIRMAN WALLACE: Resolution 02-18 is hereby

22 approved. Let's move on, Linn.

23 **RESOLUTION 02-19**

24 MR. WARREN: The second project for your

25 consideration is Laguna Canyon. This is also a BRIDGE

1 project from the Southern California operation. This is a
2 first mortgage loan request of \$8,360,000, 35-year term, 5.85
3 percent. There is significant involvement from the locality,
4 you will see from your materials, a subordinate loan in the
5 amount of \$2,583,000 residual receipts for 50 years. This is
6 a leasehold mortgage. The land is currently owned by the
7 Irvine Company, which will lease it to the development
8 partnership. Imbedded within the operating budget is a
9 \$10,000 annual leasehold payment, and the balance of the
10 lease payments will be from a residual receipt basis, the
11 CHFA regulatory agreement would be recorded against the
12 title. So with that, Laura, let's look at some of the
13 particulars.

14 MS. WHITTALL-SCHERFEE: Laguna Canyon is part of a
15 1,239-acre master planned community. It is also known as the
16 Village of Quail Hill right now. It is currently zoned
17 medical science. It is not having to be rezoned because
18 under the city's general plan, a public use facility is
19 allowed in every land category so the zoning will remain the
20 same. **As** you can see, the site is slightly separated from
21 the main Quail Hill community. It is this section. There it
22 is, right here.

23 There is an unimproved area. There are some high
24 tension lines, and they are closest to the apartment complex,
25 as you see, on the other side of the site. Most of what has

1 been developed to this point is nothing. It is being graded
2 and most of the pictures would just be of bare dirt. All of
3 the facilities are within one to four miles, shopping,
4 schools. However, in the next two to three years, they will
5 be built within a mile to half-mile of the site. Public bus
6 service is expected to be right where that roundabout is,
7 right outside of our project.

8 This is a site layout that shows how the project
9 will be laid out. There will be six different buildings.
10 There are six residential three-story buildings, four
11 building types. Two of the buildings will have elevators in
12 them and [indiscernible] parking garages. They will be
13 handicapped accessible, and both the parking spaces and those
14 units will be geared towards any handicapped tenants that
15 need both parking that is accessible and accessible units.

16 Amenities are going to include a pool. The
17 community room will include a laundry room, leasing office
18 and showers and restrooms. All of the units will have
19 central heat and air and garbage disposals and energy
20 efficient dishwashers. This is a picture of the site looking
21 from Quail Hill Parkway towards the **405/5** freeway. This is
22 looking a reverse direction over the **405** freeway towards the
23 rest of the subdivision.

24 Here are your rent models. There are **26** one-
25 bedroom/one-bath units that are approximately **721** square

1 feet. There are **26** two-bedroom/one-bath units that are **913**
2 square feet. There are 24 two-bedroom/two-bath units at **956**
3 square feet, and 44 three-bedroom/two-bath units at **1,083**
4 square feet.

5 The Phase **1** was done on the entire Quail Hill
6 subdivision in March 2000. A site-specific one was recently
7 completed on August **22** and we have asked for a reliance
8 letter. There were no adverse findings noted, although there
9 was some discussion about Murai Farms having agricultural
10 equipment some **2,000** feet south of the site. All of the
11 buildings, equipment, septic tank systems, were removed in
12 **2001** and there was a coast remedial soil assessment done in
13 July **2001**. That also yielded no adverse findings.

14 There was an exterior noise analysis done because
15 of the location of the site proximate to the 405. The noise
16 study recommended a seven-foot tall noise barrier around the
17 northern and eastern portions of the pool and some dual pane
18 windows, all of which have been incorporated into the design
19 of the project.

20 MR. WARREN: Thank you, Laura. As I said, this is
21 a BRIDGE Housing development and they will also property
22 manage it. So with that, we would be happy to recommend
23 approval and answer any questions.

24 CHAIRMAN WALLACE: Think you have got any
25 questions? Does someone want to make a motion?

1 MS. NEVIS: So moved.

2 MR. SHINE: So moved.

3 CHAIRMAN WALLACE: And Jack. Jack and Judy.

4 MR. SHINE: I'm not going there.

5 CHAIRMAN WALLACE: Did someone have a question?

6 MR. SHINE: I think there's one typo I might just
7 point out. The gross square footage and land use square
8 footage has been accidently reversed under your Project
9 Summary. So you might want to just --

10 CHAIRMAN WALLACE: Good for you, Jack. The gross
11 square footage on our overall page 829 under Project
12 Description and land square footage should be reversed. Is
13 that what you are saying?

14 MR. SHINE: Otherwise, you have to average 2,000
15 twin-size units and I don't think that's so. Pat and I
16 figured that out.

17 MS. PARKER: Mr. Shine, I really think it's great
18 that you're looking.

19 CHAIRMAN WALLACE: No wonder you volunteered to
20 make the motion.

21 MR. SHINE: I did that, Mr. Chairman, because you
22 told me to. It's my pleasure.

23 CHAIRMAN WALLACE: Okay. We have a motion of
24 approval. Is there any question on the motion from the
25 audience? Brad, you're still okay? Secretary, call the

1 roll.

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

3 MS. PETERSON: Aye.

4 MS. OJIMA: Mr. Bayuk?

5 MR. BAYUK: Abstain.

6 MS. OJIMA: Thank you, Mr. Bayuk. Ms. Nevis?

7 MS. NEVIS: Aye.

8 MS. OJIMA: Ms. Neal?

9 MS. NEAL: Aye.

10 MS. OJIMA: Mr. Czucker?

11 MR. CZUKER: Aye.

12 MS. OJIMA: Ms. Hawkins?

13 MS. HAWKINS: Aye.

14 MS. OJIMA: Mr. Klein?

15 MR. KLEIN: Aye.

16 MS. OJIMA: Mr. Shine?

17 MR. SHINE: Aye.

18 MS. OJIMA: Mr. Wallace?

19 CHAIRMAN WALLACE: Caveat. I forgot on the, on the

20 last to mention that I have been a founding member of BRIDGE

21 Housing so I have been there for 18 years. I have no

22 financial interest in it, it is strictly a -- I serve

23 gratuitously. Research by prior legal counsel indicated

24 that, that I was in compliance with state law. I

25 historically had not voted on BRIDGE projects, but I did on

1 the earlier and I am going to vote aye on this one, but I at
2 least want the declaration on the record. Okay? So put me
3 in the aye column.

4 MS. OJIMA: Thank you, Mr. Chairman. Resolution
5 02-19 has been approved.

6 CHAIRMAN WALLACE: Resolution 02-19, Laguna Canyon
7 Apartments, is hereby approved. Moving on. We're doing
8 well.

9 **RESOLUTION 02-20**

10 MR. WARREN: Yes, Mr. Chairman, Gateway Santa
11 Clara. Continuing along with Mr. Shine's very sharp eyes,
12 you will note on page 849 we have a percentage problem, which
13 Mr. Shine pointed out to me earlier. We will correct the
14 formulas for our next presentation.

15 Anyway, Gateway Santa Clara, a senior housing
16 development, is a small in-fill senior project in San Jose.
17 We have two loans that are being requested. The first is a
18 loan-to-lender on our loan-to-lender program in the amount of
19 \$5,170,000. This is 3 percent tax-exempt funds, two years'
20 interest only. At completion of construction under a
21 guarantee agreement with the construction lender, we are paid
22 off and then ultimately the loan would roll into a permanent
23 loan of \$2,270,000, 5.75, 30 years fully amortizing.

24 The City of Santa Clara is very supportive of this
25 project, as you can tell by the substantial amount of

1 subordinate debt they are contributing in the amount in
2 excess of **\$4.9** million. With us this morning is Debra
3 Starbuck, the mortgage officer for us. Debra has been with
4 the Agency, actually for a number of years, came to us from
5 HCD at or about the time I joined the Agency, and has been
6 recently promoted to mortgage officer, and we are very
7 pleased to have her with us in that capacity. We expect
8 many, many good things from Debra in the future. So with
9 that, Laura, why don't you go ahead and proceed.

10 MS. WHITTALL-SCHERFEE: Gateway is a senior project
11 located in Santa Clara very near the downtown area. The
12 project is currently two parcels. One part of it used to be
13 a single-family residence and the other part was a parking
14 lot for a hamburger stand. The hamburger stand itself was
15 torn down when El Camino, which is the main street that you
16 can see on this slide, was expanded. The city currently owns
17 one parcel and the sponsor owns the other. The two will be
18 combined and will be one parcel; that will happen right at
19 the close of the construction loan, the loan-to-lender loan.
20 It is an in-fill site. It will be **42** senior units on **.42**
21 acres. The zoning allows 90 units on the site and so this is
22 in conformance with the current zoning. Here is a site --
23 this view is from El Camino. This is a view from the other
24 part of the site on Washington Street.

25 Part of the project amenities in this project will

1 be gated parking, it is going to be on podium-type
2 construction with semi-underground parking. There will also
3 be a laundry room, trash chutes, interior courtyards with a
4 fountain and several rooms throughout the project on various
5 floors, a game room, a computer room, a craft room. The unit
6 amenities will include forced air, room air conditioning,
7 balconies and garbage disposals.

8 We have just received a noise study on this
9 project, and it states that due to noise levels on El Camino,
10 that dual pane windows and mechanical ventilation will be
11 needed. The dual pane windows are being incorporated in the
12 new design. These represent the rents that are being
13 offered. The project consists of 40 one-bedroom/one-bath
14 units. They were listed in the Board package as being 510
15 square feet in size, they are now larger. We have asked and
16 the sponsor has agreed to increase the one-bedroom units to
17 555 square feet and the two two-bedroom/one-and-a-half bath
18 units to 895 square feet.

19 A seismic is on order and an environmental
20 assessment was prepared initially in February of 1999. It
21 found that there were some underground gasoline storage tanks
22 nearby that did impact the ground water; however, the project
23 itself, because of the flow of that water, has not been
24 impacted. **An** updated Phase 1 is being completed and it will
25 be a condition of approval, the final. We have to review it

1 before the final commitment can be satisfied.

2 MR. WARREN: I just want to comment briefly on the
3 rents in the Santa Clara area. Rents have been compressing
4 in that area with the downturn in Silicon Valley. We are,
5 honestly, very comfortable with the projects that have been
6 approved in the past, they are fine, but we have a trend here
7 that I think it is incumbent upon the Agency to look at. As
8 you can tell from the graphs, we are starting to see a
9 narrowing between the affordable rents in the greater Santa
10 Clara area and the market rents. It's a trend that --
11 Obviously, our staff is on the trend, and it will probably be
12 making its way into underwriting sometime in the future if
13 the trend continues.

14 MS. WHITTALL-SCHERFEE: And we also just received
15 an appraisal. The appraisal is four months more recent than
16 the market study, and the appraisal is already starting to
17 show that the rents are starting to increase in Santa Clara.

18 MR. WARREN: The sponsor is **EAH**, Ecumenical
19 Association of Housing of San Rafael. They are a sponsor
20 that is known to us, we have done a number of projects with
21 them. They are both a developer, sponsor and property
22 manager. EAH manages all of their projects. So with that --
23 so with that, we will proceed. As Laura points out to me,
24 and I forgot to mention it, this is a nine percent tax
25 credit. Well, it's not right now, it tried to be.

3 MS. WHITTALL-SCHERFEE: Twice.

7 MR. WARREN: Twice. This is fairly typical for us,
2 to try to finance these things after the nine percent.

4 MS. PARKER: Mr. Warren, for your Board members,
5 would you like to define Article 34 for them?

8 MR. WARREN: Define Article 34. If I may ask
5 counsel to define this for me. I am sure that the eminent
E Mr. Hughes --

9 MR. HUGHES: Article 34 is a provision of the
10 California constitution that requires voter approval of
11 certain low-income housing projects. The constitutional
12 provisions have been supplemented by statutes which provide
13 definitions which are essentially exceptions from the need
14 for further approval. This is a part of our constitution
15 that was passed many years ago when these projects were less
16 popular than they are right now.

17 So in order -- Although we do not have a legal
18 mandate to enforce Article 34, the policy has been to seek a
19 letter, an opinion of counsel or an acceptable letter from
20 the locality that the locality has met the threshold
21 requirements for one of the exemptions from voter approval to
22 apply. So our practice to date has been to ask for and to
23 approve the terms of that exemption letter.

24 I should say that we are actively looking at our
25 policies on that right now to determine whether that is the

1 best way to go in the situation. But up until now, that has
2 been our practice and that is what we do.

3 CHAIRMAN WALLACE: For those of you in the room who
4 were around in the late '40's and early '50's, it was a
5 reaction against public housing. It was very controversial.
6 I forget if it was an initiative or how it got on the ballot,
7 but we changed the constitution to say, in essence, you could
8 not put public housing in a community unless you voted to do
9 so. It was a very anti-public housing issue.

10 We have had it on our agendas ever since I have
11 been on the Board, seven or eight years. It seems pretty
12 redundant because we always get the opinion letter that, no,
13 we don't have to take a vote on it, if it applies. So if
14 there is a way to streamline it -- And nobody has ever asked
15 this in the eight years that I have been on the Board, it's
16 amazing. That's because you are all so young.

17 MR. KLEIN: Mr. Chairman, I actually think it is
18 very timely that they ask it, but I think that our bond
19 counsel should specifically analyze the Article 34 test.
20 When the bond validation actions were done in 1976, this was
21 one of the issues that was looked at. One of the tests given
22 for opting out of this problem was that projects were,
23 originally at that time many of them, intended to pay
24 property taxes. Many of them now don't pay property taxes.
25 And there were a whole other set of tests that were

1 incorporated in those bond validation actions.

2 I actually believe that a number of the cities that
3 are essentially taking an inclusive co-development role
4 because of the extensive nature of their involvement in these
5 projects may be violating the bond validation actions. And
6 since we rely upon deep subsidy in many of these projects, I
7 think our bond counsel needs to tell us, based upon those
8 original validation actions, what those tests are. Because
9 if we are not across the line, I am very concerned where we
10 are. Not **CHFA** specifically, but particularly when we get
11 into projects where some local cities are effectively acting
12 as co-developers. So I think we need to look at this and
13 make sure that we have a good, clean understanding at our
14 underwriter staff level and at the Board level of where that
15 line is.

16 **MR. HUGHES:** I will say, Mr. Klein, that one of the
17 attorneys on my staff has been specifically looking at this
18 issue. I don't know if he has had a chance to talk to you
19 yet but if he has not, he will. I know that **is** on his
20 agenda. We are working on all those issues right now.

21 **CHAIRMAN WALLACE:** Why don't you come back at some
22 point in the next meeting or two, Tom, and give us a -- maybe
23 meeting with people internally. Tell us if we are okay,
24 where we stand legally, and how we should go about this on a
25 project-by-project basis.

1 MS. PARKER: I think that has been our intent.

2 MR. WARREN: It is.

3 MS. PARKER: Mr. Klein has raised this issue and
4 that is why we have it on our agenda. There are about five
5 other policy issues that we are just trying to work through.
6 It is on our list for us to be doing and when we get there,
7 you will be the first to hear.

8 MR. KLEIN: Good.

9 MS. PETERSON: Mr. Chairman.

10 CHAIRMAN WALLACE: Yes, Jeanne.

11 MS. PETERSON: I would like to move approval of the
12 project.

13 MR. CZUKER: Second.

14 CHAIRMAN WALLACE: Peterson and Czucker on the
15 motion. Jack.

16 MR. SHINE: I have a question.

17 CHAIRMAN WALLACE: Sure.

18 MR. SHINE: I again looked at the Project Summary,
19 and I note that the cost per square foot to build these units
20 is \$225 per square foot. *Am* I missing something?

21 CHAIRMAN WALLACE: It's Orange County. It sounds
22 like Orange County to me.

23 MR. SHINE: Not even in downtown Washington.

24 MS. WHITTALL-SCHERFEE: It has podium parking and
25 also the fact that this is 42 units, so you don't get very

1 much in the way of economies of scale.

2 MR. SHINE: Is it a high-rise?

3 MS. WHITTALL-SCHERFEE: It's a three-story with
4 elevators and glass chutes.

5 MR. SHINE: Type 5 or Type 3 construction?

6 MR. LAI (FROM THE AUDIENCE): Type 5 on top of Type
7 1.

8 MR. WARREN: That was Gene Lai of our architectural
9 staff.

10 CHAIRMAN WALLACE: And it is just expensive
11 construction.

12 MR. SHINE: That is more than an office building.
13 Much more.

14 CHAIRMAN WALLACE: Yes.

15 MR. SHINE: Much, much more.

16 MR. KLEIN: Just to do this. Your garage costs are
17 varying with your residential costs. What is the parking
18 ratio that is being built here in this garage?

19 MS. WHITTALL-SCHERFEE: There are 27 parking spaces
20 for 42 apartments.

21 MR. SHINE: So that's \$12,000 a space.

22 MS. WHITTALL-SCHERFEE: It's just approximately .6.
23 I was going to say 50 percent but it is .6. And this is a
24 locality requirement. We discussed it with the locality at
25 the concept meeting and they wanted to see this .6 parking.

1 There is some street parking on the side on Washington street
2 that they can use as well.

3 MR. KLEIN: I think that maybe the point being made
4 here is that there should be in this process more detailed
5 feedback on the construction costs as it deviates from
6 historical standards. There may be good explanations that
7 come out of it. There may be environmental issues built in
8 here or some extraordinary item, but there's got to be
9 extraordinary items because it is substantially higher in its
10 per-square-foot costs than one would expect for that
11 structural type. Is that accurate?

12 MR. SHINE: That is my understanding, having some
13 experience in that area.

14 CHAIRMAN WALLACE: Okay.

15 MR. WARREN: We will look at that.

16 CHAIRMAN WALLACE: Please. Any other questions on
17 the motion?

18 MS. HAWKINS: I would concur with what they said
19 but I have to leave. I will hold for the project.

20 CHAIRMAN WALLACE: Just give me 30 seconds.

21 MS. HAWKINS: Okay.

22 CHAIRMAN WALLACE: Any other questions on the
23 motion?

24 MR. SHINE: I would just like to make a request.
25 We are about to vote on it.

1 CHAIRMAN WALLACE: Yes.

2 MR. SHINE: Is it true? **And** it should be a truth.
3 I would like at least to have staff, where appropriate, take
4 the opportunity to look into this to make sure that it is
5 either not a typo or that it's -- Something is not --

6 CHAIRMAN WALLACE: The rationale for the cost, as
7 to the per-foot costing as high as it is.

8 MR. SHINE: It's a record.

9 MR. WARREN: We will. We will do a cost analysis.

10 CHAIRMAN WALLACE: Okay. On the motion, Secretary,
11 call the roll.

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

13 MS. PETERSON: Aye.

14 MS. OJIMA: Mr. Bayuk?

15 MR. BAYUK: Aye.

16 MS. OJIMA: Ms. Nevis?

17 MS. NEVIS: Aye.

18 MS. OJIMA: Ms. Neal?

19 MS. NEAL: Aye.

20 MS. OJIMA: Mr. Czucker?

21 MR. CZUKER: Aye.

22 MS. OJIMA: Ms. Hawkins?

23 MS. HAWKINS: Aye.

24 MS. OJIMA: Mr. Klein?

25 MR. KLEIN: Aye.

1 MS. OJIMA: Mr. Shine?

2 MR. SHINE: Aye, subject to my comments.

3 MS. OJIMA: Thank you, Mr. Shine. Mr. Wallace?

4 CHAIRMAN WALLACE: Aye, subject to Mr. Shine's
5 comments.

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

7 MR. SHINE: Could we request that we get some
8 feedback on this while it is being assessed and looked at?

9 CHAIRMAN WALLACE: Yes.

10 MS. OJIMA: Resolution 02-20 is hereby approved.

11 CHAIRMAN WALLACE: Resolution 02-20 -- *Am* I reading
12 this wrong? Resolution 02-29 is hereby approved. Oh, 02-20,
13 hereby approved. Moving on.

14 **RESOLUTION 02-21**

15 MR. WARREN: Moving on, Mr. Chairman. The next
16 project for the Board's consideration is Parkwood Senior
17 Apartments in Yorba Linda. It is a 101-unit new construction
18 project located on Prospect Boulevard. We have a first
19 mortgage loan request in the amount of \$6 million, 5.75, 30-
20 year fixed. The borrower has received a commitment for \$3.1
21 million in subordinate residual receipts debt from the Yorba
22 Linda Redevelopment Agency, 3 percent for 55 years. Laura.

23 MS. WHITTALL-SCHERFEE: This project is located in
24 Yorba Linda, which is in the northeast section of Orange
25 County. It is located within a redevelopment area which is

1 the town center redevelopment project area that was
2 established in 1990 to eliminate blighted conditions. The
3 existing project site consists primarily of a nursery. There
4 is no relocation required because the owner of the nursery
5 decided to retire. It is surrounded by a church and you can
6 see the parking lot of the church up on the screen. There is
7 another smaller nursery nearby but primarily it is single-
8 family homes around it. In the front of it, you see Imperial
9 Highway and across the street are commercial grocery,
10 shopping and some general services.

11 This is the landscape concept. You can see six
12 residential buildings and then a community building near the
13 pool. The project amenities include a library, computer
14 room, craft room, a kitchen in the community center, two
15 laundry rooms, and then they are also going to provide van
16 transportation. Unit amenities are going to include central
17 heat and air, balconies and patios for storage, and garbage
18 disposals.

19 Outside additional amenities other than the pool
20 will be a swimming pool -- I just mentioned that. The pool,
21 the spa, the sun deck, a horseshoe pit, the gardening area
22 for the tenants and a barbecue pit. There will be a full-
23 time residential coordinator. This will be run very
24 similarly to Victoria Woods Yorba Linda which is a CHFA
25 project by the same developer. This is the commercial

1 section across the street looking from the site.

2 This is the rent structure. There are **80** one-
3 bedroom/one-bath units that are going to be about 591 square
4 feet in size. There are 20 two-bedroom/one-bath units, **785**
5 feet in size. And then there's a single two-bedroom/one-bath
6 manager's unit, it's a little bit larger, it's **847** square
7 feet. There are two levels of rents. CHFA assumes on our
8 senior projects that we have one person in a one-bedroom.
9 The borrower did the 20 percent at 50 percent CHFA rents.
10 You also see a line item for the 50 percent rents that says
11 TC by it. That is TCAC, and TCAC assumes 1.5 people which is
12 why their rent level can be a little bit higher.

13 We have three oil wells on the site. One has
14 already been capped and is no longer in use and has been
15 removed. The other two will be abandoned and removed.
16 Subsurface soils are going to be tested and remediated. **An**
17 environmental Phase 2 will be ordered, and all of the
18 compliance with that report will be a requirement of the
19 final commitment.

20 The noise report and geo-technical survey have been
21 ordered. Some dual pane windows were required because of the
22 proximity to Imperial Highway and there will be a sound wall.
23 There is also going to be some excavation at the site. The
24 project is going to be built about eight feet down from the
25 level of the sidewalk. That is in part noise mitigation and

1 it also makes for a level site. Right now it would have held
2 a little bit of a hill to it.

3 MR. WARREN: The sponsor is American Housing
4 Partners, Inc., a for-profit affordable housing developer.
5 As Laura indicated, we have two projects with them, another
6 senior project in Yorba Linda that is several years old which
7 is doing very well, and a third project in San Bernardino
8 which is also a senior project that is doing well. So with
9 that -- AHP will also manage their properties. So with that,
10 we would like to recommend approval and be happy to answer
11 any questions.

12 CHAIRMAN WALLACE: Questions? Motion?

13 MS. NEAL: So moved.

14 MR. SHINE: Second.

15 CHAIRMAN WALLACE: Neal, Shine. Any questions on
16 the motion from the Board or the audience? Hearing and
17 seeing none, Secretary, call the roll, please.

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

19 MS. PETERSON: Aye.

20 MS. OJIMA: Mr. Bayuk?

21 MR. BAYUK: Aye.

22 MS. OJIMA: Ms. Nevis?

23 MS. NEVIS: Aye.

24 MS. OJIMA: Ms. Neal?

25 MS. NEAL: Aye.

1 MS. OJIMA: Mr. Czucker?

2 MR. CZUKER: Aye.

3 MS. OJIMA: Ms. Hawkins?

4 (No response).

5 MS. OJIMA: Mr. Klein?

6 MR. KLEIN: Aye.

7 MS. OJIMA: Mr. Shine?

8 MR. SHINE: Aye.

9 MS. OJIMA: Mr. Wallace?

10 CHAIRMAN WALLACE: Aye.

11 MS. OJIMA: Resolution 02-21 is hereby approved.

12 CHAIRMAN WALLACE: Yes. Resolution 02-21 hereby
13 approved and moving on to Cedar Park Apartments.

14 **RESOLUTION 02-22**

15 MR. WARREN: Yes, Mr. Chairman. The next project
16 is Cedar Park Apartments, this is an 81-unit new construction
17 family project in Grass Valley. This is also a project that
18 was not successful in the most recent nine percent tax credit
19 round and was brought to us by the sponsors and Bank of
20 America. Their loan request today is \$5,180,000, 5.95 with a
21 40-year loan and a bridge loan of \$540,000 to facilitate the
22 9 percent credits. The City of Grass Valley is contributing
23 a little over \$900,000 in the development of this project,
24 and as Laura will indicate, this is directly adjacent to an
25 existing project that the sponsors have.

1 MS. WHITTALL-SCHERFEE: This project is located on
2 Sutton Way in Grass Valley. It is approximately one mile
3 northeast of the City of Grass Valley. The predominate land
4 use around this area is multifamily and the site is outlined
5 with the white lines at the top of your screen.

6 Just to the south on this picture, you will see
7 Oakbrook. That is a low-income 9 percent tax credit project
8 that was developed by the same sponsor. They had hoped that
9 this would also be a 9 percent deal, but after two attempts
10 they are coming to us for 4 percent tax credits.

11 The aerial has made it difficult to see, but it is
12 very hilly terrain around here and there is a ridge at the
13 top with a senior center. It is more of an assisted-living-
14 type of care facility on the far side of your screen. There
15 is also a trailer park below. Otherwise, it is surrounded by
16 multifamily residential. There is a low part of this parcel
17 that has been set aside since the 9 percent tax credit deal
18 did not go through, and it will be used at some future date
19 for a day care center, possibly, or some other facility but
20 it is not part of this project, it is not part of the site.

21 This is what the 9 percent tax credit project looks
22 like next door. It is a little deceiving in terms that this
23 shows garages. Only a couple of units at the 9 percent
24 project have garages. Our project will have carports, which
25 is what the rest of the project looks like. The difference

1 between this project and ours, this has T-111 siding and we
2 are not using that on our project; we will be using hearty
3 pine or vinyl siding when it is done.

4 This is the site. It gives you a little bit better
5 feel for the hilly terrain. The project will consist of 81
6 units; 37 of them are 2-bedroom/one-bath, they are 830 square
7 feet. There are 32 three-bedroom/two-baths that are 1,002
8 square feet, and then there are 12 four-bedroom/two-and-a-
9 half baths at 1,257 square feet. There are 180 parking
10 spaces, 81 carports and 99 open spaces.

11 The project amenities on this site will include two
12 barbecue areas, a basketball court and a tot lot. There will
13 also be a separate community building with a multipurpose
14 room, a rental office and a computer room. All of the units
15 will have central heat and air, garbage disposals and
16 washer/dryer hookups, although they do have a laundry room
17 and they are not providing the actual washers and dryers in
18 the units.

19 The Phase 1 environmental was prepared in July by
20 Holdrege and Kull Consulting Engineers and Geologists. They
21 reviewed an earlier Phase 1 also done by them on October 20
22 and determined that the Phase 1 is still the same. There are
23 no adverse conditions noticed. Several underground storage
24 tanks within a one-mile radius have been removed and they do
25 not impact the groundwater for the site. So there is nothing

1 in terms of our Phase 1 that leads us to be concerned at this
2 point.

3 MR. WARREN: Thank you, Laura. The sponsor is
4 Cascade Housing Association, an Oregon nonprofit housing
5 developer. They are new to us as a sponsor, but as Laura
6 indicated, they had developed the project next door and
7 several other projects in California as well in Oregon. The
8 property management company is Kingridge Real Estate
9 Services, which has been approved by our asset manager for
10 this project. So, obviously, we are looking for some
11 economies of scale between the two projects. So with that,
12 we would be happy to recommend approval and answer any
13 questions.

14 CHAIRMAN WALLACE: Bob.

15 MR. SHINE: Did we see -- Go ahead.

16 CHAIRMAN WALLACE: Let's go with Jack first.

17 MR. SHINE: Did we see a plot plan on this project
18 or a site plan?

19 MR. WARREN: We don't have one, Mr. Shine,
20 unfortunately.

21 MS. WHITTALL-SCHERFEE: No.

22 MR. SHINE: Okay.

23 CHAIRMAN WALLACE: You don't have one at all?

24 MR. WARREN: We don't have one --

25 MS. WHITTALL-SCHERFEE: Here.

1 MR. WARREN: We were unable to obtain one from the
2 architect in time for the presentation.

3 CHAIRMAN WALLACE: Do you have a problem with that,
4 Jack?

5 MR. SHINE: No, not at all.

6 CHAIRMAN WALLACE: Okay. Bob. You want a plot
7 plan?

8 MR. KLEIN: No, I don't want a plot plan. I would
9 like to say that the operating budget on this project is very
10 efficient. I appreciate that a great deal. Because when
11 operating budgets on the expense side are overstated or out
12 of line, effectively what happens is it draws down more local
13 government subsidy or more subsidy from us than is needed.
14 On a comparative basis, this is \$3,100 per unit. We have
15 other projects in here which are \$5,100 a unit and others
16 that are \$4,000 a unit, and I'm talking about without taxes
17 or virtually without taxes.

18 My issue, I'm particularly bringing it up here
19 because I think we have a number of other projects that are
20 good projects, and some of them are providing services. But
21 I have substantial questions about whether those services
22 really cost as much as are reflected in the payroll and
23 administrative line items in these other budgets. There
24 certainly are occasions when those services can be very
25 expensive; but in looking through the various projects we

1 have today, I will say that in future sessions, I am going to
2 focus very rigorously on those two line items. Because to
3 the extent that we can keep these efficiently operating, more
4 local government subsidy will be available for other projects
5 and more units will get done. I would like to compliment
6 this project for the efficiency of the operating budget.

7 I would also like to see in future budgets, I
8 believe your property management cost is integrated with
9 payroll administration. If we could separate those out of
10 future budgets so that we can really have a good item
11 comparison of payroll and administration, excluding property
12 management fee. That would be very helpful.

13 MR. CZUKER: Excuse me, Mr. Chairman.

14 CHAIRMAN WALLACE: Ed, that's no problem.

15 MR. WARREN: I can comment, if you would like,
16 later, but perhaps the Board could finish their question on
17 the topic.

18 CHAIRMAN WALLACE: Ed.

19 MR. CZUKER: While I concur with everything
20 Mr. Klein has just said, I think another way of looking at it
21 from a slightly different perspective is that, that in fact
22 gives CHFA some additional reserve. While CHFA is making a
23 very low debt coverage ratio loan in the initial years, to
24 the extent that expenses are conservatively high, it provides
25 CHFA effectively with the ability to manage the property, or

1 have the sponsor manage the property, for less and delivering
2 a higher net income to the bottom line of service debt.

3 **CHAIRMAN WALLACE:** Further question or there a
4 response to that issue?

5 **MR. WARREN:** Jeanne has a question.

6 **MS. PETERSON:** I wanted to comment mostly on
7 something different. That is, to point out that on page 884
8 I think you have the -- In the middle the occupancy
9 restrictions are exactly reversed. It should be 20 at 50 and
10 80 at 60. **TCAC** restrictions. And also to -- Because to make
11 the comment that, of course, it is of some concern to **TCAC**,
12 when, to at least assure that there is a sufficient market
13 when more units are going to be built contiguous to an
14 already existing property. We don't want the same people
15 served by moving from one place to another place. However,
16 from looking at the market demand and the information that
17 was presented, it seems that that isn't the case.

18 Back on the operating expenses, I would just like
19 to say that both of the points that have been made I think
20 are very valid. Really, one of the things that is a little
21 bit more interesting to me is the sort-of apparent lack of
22 consistency in applying some standard. And probably there
23 are reasons why there are fluctuations in the amounts of
24 property and expenses; but when it is a 60 percent variation,
25 that is really pretty high.

1 MR. WARREN: Well, a couple of comments and
2 observations. We generally -- not generally. We do look at
3 the floors as set forth by TCAC and CDLAC as a starting point
4 for budgets. When we meet with localities and we discuss in
5 concept meetings the budgets that we have, one of the issues
6 that we have, or questions that we put to localities in the
7 same meetings, is these budgets will result in this amount of
8 locality involvement because of the way the debt limits work,
9 and are you comfortable with that. Is this an issue you have
10 looked at and have you asked this question? We ask it too.
11 Generally speaking, localities are comfortable with the
12 budgets that we have seen.

13 As far as extraordinary expenses in the area of
14 services: Generally, we do not see very many projects with a
15 lot of service components above the line, if you will. A lot
16 of projects prefer to have residual cash and they are more
17 interested in having the higher debt loads to pay for it.
18 Simply put, we look at these budgets, we validate them as
19 being reasonable; and if the financing works, then we will
20 accept the budgets. If the financing does not work, then we
21 do trim them in many cases if there are extraordinary
22 services that do not belong. In many cases, more often is
23 the case, we increase the budgets and reduce our debt loads.

24 The Agency had a history some time ago of not
25 demanding higher budgets and I think we do now. I can only

1 say in response to Mr. Klein, Mr. Czucker and as well,
2 Ms. Peterson, that as high as it is, it is more art than
3 science. We have a tendency to try to match the individual
4 projects, the sponsors, the developments and the services to
5 the particular situation. The overall goal being that the
6 budgets are healthy and accurate but not excessive. It is
7 kind of a soft fluffy answer because it is a moving target.
8 But we do take these on a case-by-case basis.

9 I would certainly welcome Mr. Klein's scrutiny of
10 this, this is an important issue. It applies not only to the
11 debt loads these properties can handle, but as Mr. Czucker
12 indicated, the long-term liability of the projects. I'm
13 happy to spend more time on it.

14 MR. KLEIN: I would just like to say that I think
15 Mr. Czucker's point is a very good one. From my perspective,
16 we are actually underwriting at a 1.15 debt service coverage,
17 not a 1.10. If we just stated that we have a 1.15 coverage,
18 it is more solid for the Agency. It shows to rating agencies
19 and other outside bodies that we have stronger underwriting,
20 rather than, in fact, having a cushion built into the
21 administrative and payroll lines.

22 And the other side of this is that if we keep the
23 administrative and payroll lines within a reasonable range,
24 with obvious major changes where you have substantial
25 services, then there is a discipline enforced on the operator

1 to operate as efficiently as possible. It is all right,
2 fine, if they have better cash flow from the project. Maybe
3 they can repay some of the subordinate loans faster that come
4 from localities, or maybe the project is a difficult project
5 and just deserves getting more cash flow to reward the
6 sponsorship for the task of completing a good project.

7 These are good sponsors; I believe these are going
8 to be very good projects. But I think in many cases we may
9 have a 1.15 debt service coverage here with a lot of cushion
10 built into these expenses. I would rather see it isolated
11 out. Let them have the cash flow from the 1.15 debt service
12 coverage. Most of these projects are very difficult to
13 develop. These people are doing a good job in the product
14 they bring us and the product they execute on.

15 CHAIRMAN WALLACE: Any further questions? Thank
16 you, Bob. Do I hear a motion?

17 MS. NEAL: So moved.

18 CHAIRMAN WALLACE: So, Neal and Czucker.

19 MR. CZUKER: Second.

20 CHAIRMAN WALLACE: Any questions on the motion?
21 Hearing and seeing none, Secretary, call the roll.

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

23 MS. PETERSON: Aye.

24 MS. OJIMA: Mr. Bayuk?

25 MR. BAYUK: Aye.

1 MS. OJIMA: Ms. Nevis?

2 MS. NEVIS: Aye.

3 MS. OJIMA: Ms. Neal?

4 MS. NEAL: Aye.

5 MS. OJIMA: Mr. Czucker?

6 MR. CZUKER: Aye.

7 MS. OJIMA: Ms. Hawkins?

8 (No response).

9 MS. OJIMA: Mr. Klein?

10 MR. KLEIN: Aye.

11 MS. OJIMA: Mr. Shine?

12 MR. SHINE: Aye.

13 MS. OJIMA: Mr. Wallace?

14 CHAIRMAN WALLACE: Aye.

15 MS. OJIMA: Resolution 02-22 has been approved.

16 CHAIRMAN WALLACE: Resolution 02-22 is hereby
17 approved, and I am going to call for a 90-second recess.

18 (Laughter).

19 MS. NEAL: 90 seconds?

20 MR. CZUKER: 90 seconds?

21 CHAIRMAN WALLACE: Back in session. All in favor
22 say, aye.

23 (A recess was taken.)

24 Okay, Linn, let's pick up. We just finished Cedar
25 Park and we are on to Villa Madera.

1 MR. WARREN: Yes, Mr. Chairman.

2 CHAIRMAN WALLACE: Okay.

3 MR. WARREN: Okay, Villa Madera.

4 CHAIRMAN WALLACE: By the way, I do have parking
5 discount coupons up here. See **JoJo** if you haven't picked one
6 up. You get 25 cents off or something. Okay, Linn, excuse
7 me.

8 **RESOLUTION 02-23**

9 MR. WARREN: Yes, thank you, Mr. Chairman.

10 The next project for the Board's consideration is
11 the Villa Madera Apartments. This is a 72-unit new
12 construction family project in Oxnard. As with other
13 projects, some of the projects this morning, it was not
14 successful in the 9 percent tax credit competition and the
15 sponsors, Mercy Housing, have brought it to us for tax-exempt
16 financing. The first mortgage request amount is \$6,150,000,
17 5.75, 30-year amortizing loan, and a \$900,000 bridge loan at
18 5.75. There is very strong locality involvement in this
19 project, as you can see. We have the \$2 million loan from
20 the Oxnard Redevelopment Agency and a \$300,000 pre-
21 development grant. There is also an AHP subsidy of \$284,000.
22 So with that, Laura.

23 MS. WHITTALL-SCHERFEE: The project is part of
24 several auto dealerships that have been demolished in the
25 last couple of years. They are right off of Oxnard

1 Boulevard, which is the main strip down into downtown Oxnard
2 and the project is about a mile out of the downtown area. It
3 is an older area of Oxnard. You can see on the top part of
4 your screen that there are a lot of brand new single-family
5 residential subdivisions that are going in. This project is
6 located in an area that has some multifamily apartment
7 buildings, but mostly single-family homes that were built in
8 the 1950's and the 1960's.

9 The project is 59 townhome units and 13 garden-
10 style apartment units. They are in a townhouse-style design
11 because they wanted to blend in with the multifamily units
12 that you can see on this picture. The street, which is A
13 Street, currently turns into Robert Avenue. It will be
14 continued and it will be the street that goes into the
15 project. The project is essentially going to be on the back
16 portion of the auto dealership, and in the front portion
17 there will be small strip commercial--things like a
18 Starbucks--that will share the road that will be extended.
19 They will share A Street. This is Robert Avenue with the
20 small commercial strip center across the street and also the
23 car wash.

22 The units are as follows: 17 two-bedroom/one-bath
23 units, about 900 square feet; 43 three-bedroom/one-and-a-half
24 bath units, about 1,100 square feet; and 12 four-bedroom/two-
25 bath units. Project amenities are going to include three tot

1 lots, one basketball half-court, two barbecue areas.
2 Internal amenities will be dishwashers and garbage disposals.
3 There will also be a community center and the center will
4 have a leasing office, two other offices, a multipurpose
5 room, kitchen, laundry room, bathrooms and then a maintenance
6 shed/garage.

7 This project has a lot of additional services that
8 are being offered. There is a full-time service coordinator
9 on staff. This is in keeping with other projects that Mercy
10 has in Southern California as well as in Oxnard. They have
11 another 9 percent tax credit deal that is across the city
12 from our project and the city really wanted to see the same
13 level of services that are at the project across the way.
14 Over 62 percent of all homes in the city of Oxnard are
15 single-family homes and there is a very, very strong need for
16 affordable housing projects.

17 There is a lot of environmental on this site, as
18 you can imagine, because of the former auto dealerships. The
19 first Phase 1 that was done on this project incorporated the
20 entire parcel, commercial space, affordable housing space and
21 all. There are gasoline tanks, there are air systems that
22 were installed, and a lot of this has been remediated. In
23 1997, contaminated soils were excavated and gasoline leaks
24 were cleaned up. Remediation was closed in 1996, and then a
25 follow-up study in 1997 showed that there had been a huge

1 improvement and very little soil contamination remained.

2 However, that was done on the overall site, and we
3 have requested a site-specific Phase 1 that will tell us
4 exactly what is on our site. There are some suspect areas
5 that were part of the auto body shop that have never really
6 carefully been examined. We want those examined, and we want
7 to know what the cost is, if any, to do the cleanup so that
8 we can incorporate it into this project's budget. And it
9 will be a condition of the final condition. We are also
10 awaiting the seismic study.

11 MR. WARREN: The sponsor is Mercy Housing, both as
12 general partner and developer and as the management agency
13 through Mercy Services Corporation. So with that, we would
14 be happy to recommend approval and happy to answer any
15 questions.

16 CHAIRMAN WALLACE: Questions? Czuker.

17 MR. CZUKER: I am very supportive of the project,
18 but I wanted to raise a similar question to before, which
19 relates to the appraisal and who the appraiser is. Maybe we
20 should have more detail in this package. But my concern
21 relates to market rate rents. That we should not be sort of
22 lulled into a feeling of comfort by perceived market rate
23 rent differentials when, in fact, they may be actually much
24 closer to the restricted rent at 60 percent. If the market
25 rate rents were, in fact, much closer to the levels of 60

1 percent, then our competitive edge over the marketplace and
2 our management expertise will become much more critical to
3 maintaining high occupancies and making sure this does not
4 turn into a problem asset.

5 So I don't know who the appraiser is, but again it
6 appears on some of these packages that the appraisal market
7 rate levels are on the high side of what those markets
8 command, as opposed to being sensitive to the median of
9 market rate product in the area, which would probably be much
10 closer to the 60 percent of median-restricted rent level.

11 **MS. WHITTALL-SCHERFEE:** What we have done -- When
12 we present market rate rents to the Board in our write-ups,
13 we are using adjusted market rate rents. In Villa Madera,
14 the market rate projects are commanding rents between **\$2,000**
15 and **\$2,500** a unit but they have larger units, they have
16 greater amenity packages. So what the appraiser did in this
17 case, and they do in all of our studies, is they adjust it
18 to, say, if this unit were on the market and this were a
19 market rate unit, what would be the rent that this unit would
20 command. And that is the rent that we are listing as market.

21 **MR. CZUKER:** The Oxnard marketplace in general does
22 not command very, very high rents. So if they are
23 interpolating from product type that is slightly different,
24 then it is, obviously, just a best guess and we are not using
25 comps to support the market rate level.

1 CHAIRMAN WALLACE: Ed, you have got some experience
2 in this territory. I mean, your firm.

3 MR. CZUKER: Yes.

4 CHAIRMAN WALLACE: **Why** don't we give Ed a couple of
5 these appraisals where he has raised questions and let him --
6 I would be interested in --

7 MR. WARREN: I think Ed's point is well taken. We
8 don't, as a practice, flatly take the rents that are
9 promulgated from market studies in for appraisals. We do
10 adjust them, our own people do drive them. If there is a
11 sense that on some of these markets--as I mentioned earlier,
12 in the San Jose they are softer than the documents indicate--
13 I think we can look at that and we would be happy to share
14 more detail. But we do try to do this in tolerances.

15 I will add on Villa Madera, though, Mr. Czucker;
16 since this was a 9 percent tax credit project, it didn't make
17 it, we are trying to maximize the debt as much as we can.
18 That might put us in a situation where the risk is
19 incrementally higher. That is a conscious decision we are
20 trying to make.

21 MR. CZUKER: I am just trying to highlight, for the
22 Board and for staff, that there are areas where the county-
23 wide area median income is high, yet the submarket is such
24 that the local rents that are actually being achieved in the
25 submarket are low. So when you are using 60 percent of

1 median income as your base level for the majority of the
2 units, that might be equal to the market rent. Even though
3 on the county-wide basis you would have had higher rent
4 averages, on a local basis you are actually going to have a
5 situation where you are competing with market rate product at
6 the same rent level.

7 CHAIRMAN WALLACE: And sensing that, and you raised
8 it in a couple --

9 MR. CZUKER: And Oxnard is a perfect example of
10 that submarket.

11 CHAIRMAN WALLACE: I would love to have you, if you
12 don't mind, take a look at the appraisal.

13 MR. CZUKER: I'm happy to.

14 MR. WARREN: That would be fine.

15 CHAIRMAN WALLACE: If something goes radically
16 wrong, then it is for you guys to reconcile, hopefully.
17 Jeanne.

18 MS. PETERSON: The underwriting in this project
19 assumes that it is going to receive state tax credits. I
20 would just like to say that my vote in favor of this project
21 as a CHFA Board Member has nothing to do with any
22 determination that TCAC will make with respect to whether or
23 not the project does receive tax credits. It is probably --
24 I shouldn't say probably. But it is very possible that it
25 will not receive state tax credits on the next funding round.

1 It has applied as a 4 percent deal for state tax credit.
2 This year in our regulations we have made it pretty clear
3 that the highest priority for the use of state tax credit is
4 9 percent competitive deals. I'm not quite sure what that
5 means for the feasibility of the deal if we take out \$1.5
6 million, but probably it means it is not going to be --

7 MR. WARREN: This is an issue that, obviously,
8 needs to be resolved prior to the final CDLAC award. We have
9 advised the borrowers of that and we will be waiting
10 determination on that. If they can't receive what the
11 capital budget has set forth, then it would probably not
12 receive the CDLAC allocation.

13 CHAIRMAN WALLACE: In which case, we would not
14 close the loan and you would have, maybe, a new round of
15 negotiations as to going an alternate route.

16 MR. WARREN: Yes, that's possible.

17 CHAIRMAN WALLACE: So should we approve it, it is
18 all subject to --

19 MR. WARREN: It is staff's recommendation, the way
20 the program is laid out today, to approve it, it is in the
21 capital budget. If they are not successful with the state
22 tax credits, then we have timing that allows us to remove it
23 from the CDLAC consideration. We feel that is a better
24 course than to not bring it at all.

25 CHAIRMAN WALLACE: Fair enough, clear. Jack.

3 MR. SHINE: Just a question regarding the
2 environmental. I noticed that the report states that the
1 surrounding area has had some environmental hazardous events,
4 and I noticed that this site has had a Phase 1, no
5 subsurface, and that what is being requested for the specific
6 site is Phase 1 with no subsurface. What is your level of
7 comfort with that?

8 MR. WARREN: The jargon in the environmental write-
9 up is a little bit misleading. Basically, what it is, is we
10 are going to call for a full Phase 1. One reason I mentioned
11 at the outset that we had retained consultants to help us
12 with this is that we are going to look at all subsurface
13 groundwater issues. It will be comprehensive.

14 MR. SHINE: You are going subsurface?

15 MR. WARREN: I believe so.

16 MS. WHITTALL-SCHERFEE: Yes.

17 MR. SHINE: Thank you.

18 MS. WHITTALL-SCHERFEE: What that was intended to
19 say is that the Phase 1 is going to focus on those areas that
20 are suspect areas that in the past had no subsurface review.
21 We want the Phase 1 to be focusing on those particular areas.

22 MR. SHINE: That really clarifies it. It brings it
23 into focus based upon what you said here. Okay.

24 CHAIRMAN WALLACE: Okay. And, Jack. What is your
25 name? Bob. How long have you been on this Board? About 80

1 years. I should know that by now.

2 MR. KLEIN: You know, if I can have two names, I
3 can get twice as many questions.

4 CHAIRMAN WALLACE: You're down to one name.

5 MR. KLEIN: Okay. Obviously, the expenses are high
6 per unit on this project. I am a very strong endorser of the
7 educational coordinator concept, I think it really helps kids
8 in projects. But if I take \$40,000 a year for an educational
9 coordinator, I'm still left with, like, \$195,000 in payroll
10 and administration on 72 units. I think that is a very high
11 number. There could be other reasons for it. But if there
12 are not state tax credits available, someone might creatively
13 look at a plan for restaffing the property management in the
14 hopes of reducing expenses closer to the expenses shown in
15 some of the more efficient projects in this pool of projects
16 you have presented today, with the hopes that there is more
17 borrowing capacity there.

18 It looks like a great project, and hopefully we
19 will work hard to figure some way to fill the gap if there
20 are not state credits available, even if it requires some
21 Agency subsidy loans at lower interest rates or something.
22 But it looks like there might be some room to help you there
23 in the administration and payroll.

24 MR. CZUKER: Mr. Chairman.

25 CHAIRMAN WALLACE: Yes, Ed.

3 MR. CZUKER: To build on Mr. Klein's earlier
2 comments. It might be prudent for staff, if it is not
3 difficult to use IRUM standards for property management by
4 category, and then maybe show us sort of a variance that
5 says, okay, here is the budget, instead of maybe adding one
6 more column. Where in the budget it would go category by
7 category against IRUM standards. That would certainly, one,
8 give us a universal test and allow us to see firsthand at a
9 glance where we are high, where we are low project by project
10 and category. And since those are readily available, it may
11 be something that achieves Mr. Klein's objectives and gives
12 us more information at our fingertips.

13 CHAIRMAN WALLACE: Does everybody know what **IREM**
14 stands for? We don't have to go there. What is your
15 reaction?

16 MR. WARREN: Well, I guess my sense is we do that
17 analysis behind the scenes on, I think, the majority of our
18 projects, Mr. Czuker. I guess my preference would be, and we
19 would certainly **look** at this hoping that it would be
20 beneficial to the Board, is to expand the narrative portion
21 of the asset management discussion of the budget. My
22 experience with doing IRUM comparison charts is that it is
23 sometimes tough to pick out what exactly are the high-rise
24 matrices. It can be a fairly -- not a complicated process,
25 but I think it will add a level of complexity.

1 If the Board would like to see it, I think we can
2 show a variance analysis. I think staff would be also
3 equally comfortable with doing a paragraph description
4 highlighting those areas that are a difference to the IRUM.
5 So I would ask the Board that we go back and look at that and
6 see what is best from a presentation standpoint. What you
7 are asking is, we are bringing up more of our background
8 detail into the presentation package, which may be a good
9 thing. But we would like to just look at that.

10 MR. KLEIN: Maybe simplify it. Potentially, if it
11 is within a certain range of variance, we would not need that
12 comparison. So we do not need the extra detail if that range
13 of deviation was substantial.

14 MR. WARREN: If it dissuades to the normal and
15 customary project. I think that's a reasonable request.

16 MR. KLEIN: If it's 45 percent above it, then maybe
17 we need some more detail. Frankly, I do believe Mr. Czucker's
18 original comment is correct. That it had benefited the
19 Agency over the years to have lots of cushion in the numbers
20 because we cannot both use a 1.10 coverage and not build a
21 lot of cushion in expenses. But I think it gives us more
22 management tools and more visible insight into what our real
23 coverages are if we show what the expenses are actually
24 expected to be and show the coverage higher.

25 MR. WARREN: Okay.

3 CHAIRMAN WALLACE: Linn, take a look at it and come
2 back and tell us which direction you would like to go.

7 MR. WARREN: Sure. We would be happy to revisit
4 the packages.

5 CHAIRMAN WALLACE: Hearing that, any further
E questions on the project? Do I have a motion?

7 MR. KLEIN: I'll move for approval.

E MR. CZUKER: Second.

9 CHAIRMAN WALLACE: Klein and Czucker. Any questions
10 from the Board or the audience on the motion for approval?
11 Hearing and seeing none, Secretary, please call the roll.

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

13 MS. PETERSON: Aye.

14 MS. OJIMA: Mr. Bayuk?

15 MR. BAYUK: Aye.

16 MS. OJIMA: Ms. Nevis?

17 MS. NEVIS: Aye.

18 MS. OJIMA: Ms. Neal?

19 MS. NEAL: Aye.

20 MS. OJIMA: Mr. Czucker?

21 MR. CZUKER: Aye.

22 MS. OJIMA: Mr. Klein?

23 MR. KLEIN: Aye.

24 MS. OJIMA: Mr. Shine?

25 MR. SHINE: Aye.

1 MS. OJIMA: Mr. Wallace?

2 CHAIRMAN WALLACE: Aye.

3 MS. OJIMA: Resolution 02-23 has been approved.

4 CHAIRMAN WALLACE: Resolution 02-23 is hereby
5 approved. Moving to our last project.

6 **RESOLUTION 02-24**

7 MR. WARREN: Yes, Mr. Chairman. Our last
8 project --

9 MS. PETERSON: Mr. Chairman, before you begin.

10 CHAIRMAN WALLACE: You want to tell us that you
11 just approved tax credits on that last project?

12 MS. PETERSON: No. What I want to have on the
13 record is that on the vote the Treasurer does not believe
14 that he has a conflict of interest with respect to the White
15 Rock development. That in abundance of caution he has
16 instructed me not to participate in any of the conversation
17 relating to it and to abstain on any voting related to the
18 White Rock development. Thank you.

19 CHAIRMAN WALLACE: Now what is your position?
20 (Laughter).

21 MS. PETERSON: I'm here representing the Treasurer.

22 CHAIRMAN WALLACE: That's a good position. Okay.
23 With that admonition, please go ahead, Linn.

24 MR. WARREN: White Rock Apartments is a 180-unit
25 family apartment complex to be built in El Dorado Hills, near

1 Sacramento, by Mercy Housing. We have a first mortgage loan
2 request of \$10 million at an interest rate of 5.85 for 35
3 years and a bridge loan of \$3,375,000 for one-year simple
4 interest. There is a strong contribution from the locality.
5 We have MHP -- Sorry. \$3 million from the locality in the
6 form of HOME funds and from HCD and \$5.5 million of MHP
7 funds. So with that, Laura, why don't you run through the
8 slides.

9 MS. ILVONEN: Okay. This --

10 MR. WARREN: Oh, I'm sorry, Tina. Tina Ilvonen,
11 I'm sorry, of our consulting staff.

12 MS. ILVONEN: That's okay.

13 MR. WARREN: All right, go ahead.

14 MS. ILVONEN: This is an aerial view of the site
15 from the south. The project is located in El Dorado Hills,
16 which is 30 miles east of Sacramento. There is one missing.
17 There was one other item, which was \$1 million in Federal
18 Home Loan Bank AHP funds. The second slide is an aerial view
19 of the site from the north. At the bottom you can also see
20 the intersection of White Rock Road and Valley View Parkway
21 at the bottom of this.

22 The area is in El Dorado Hills, a small-but-fast
23 growing community. The population in the market area has
24 increased over 100 percent since 1990 to a population of
25 42,500. Roughly 80 percent of the population lives in

1 single-family homes while 20 percent lives in multifamily
2 apartments. There are only three existing multifamily
3 projects in the area totalling **344** units with two proposed
4 market rate projects under development. One is adjacent to
5 the property, **344** units, and the other is **160** units. The
6 vacancy for market rate apartments was 2.9 percent in **2000**.
7 The vacancy for affordable housing apartments is 0.5 percent
8 within a 20-mile radius in 2002 in a survey completed by
9 Mercy.

10 This next slide -- Okay, this is the project site
11 view from the adjacent mobile home park. White Rock
12 Apartments themselves will consist of 180 units in **12** garden-
13 style buildings ranging from two to three stories each.
14 There will be one-, two-, three- and four-bedroom flats. All
15 the units will have patios or balconies and all units will
16 have washers and dryers. So there's no laundry room in the
17 project at all.

18 The kitchens will be gas with dishwashers and
19 disposals. There will be central heat and air conditioning.
20 There will be 144 attached garages, 36 carports and 206
21 uncovered parking spaces. The project will also have a **3,400**
22 square-foot community building, two tot lots, several picnic
23 areas. The community building will have a 1,000 square-foot
24 community room with a kitchenette, leasing offices and
25 restrooms. It will also have a **1,400** square-foot child care

1 facility operated by Head Start. A preschool program for
2 children ages 3 to 5 will be offered by Head Start on site.

3 Actually, on the other site I wanted to talk about
4 the environmental, briefly, while we were looking at it. You
5 can see it was undeveloped and it was used for cattle grazing
6 in the past. So there is not much to talk about on the
7 environmental. There was a Phase 1 completed. There were
8 two open holes found on the site. They recommended soil
9 sampling of the Thames pile, which was completed. None of
10 the samples had metal concentrations above the threshold
11 limit and they recommended no further action.

12 The next slide is the new town center to the north
13 of the site. Construction is further along than this
14 picture; this was taken in May. Right now there is a Ralph's
15 supermarket and -- What else is done? The Starbucks, the
16 Togo's and the bike shop are all completed. There will also
17 be a Longs Drug, movie theater, hotel, car dealership and
18 several restaurants.

19 To the west of the site is the 885-acre El Dorado
20 Hills business park. This is 40 percent built out; and when
21 complete, will provide 27,000 jobs. This is to the south of
22 the site looking towards the hills, the homes in the hills.
23 There is a 50-acre open space parcel and a planned regional
24 park that is going to be located in this area. There is also
25 a vacant residential parcel on an open space leading up to

1 the Sierra foothills to the east of the site.

2 The next slide is the project rents and the market
3 rents. Rents are at 35 percent, 50 percent and 60 percent
4 AMI. The square footages are -- There are 36 units at 35
5 percent AMI, 44 units at 50 percent AMI and 98 units at 60
6 percent AMI. The square footages are 672 for the one-
7 bedrooms, 925 for the two's, 1,150 for the three's and 1,200
8 for the four's. The market rents on this slide were taken
9 from the market study, not the appraisal. The appraised
10 value is \$22 million. The cap rate is 8 percent. The LTV,
11 including the bridge, is 61 percent.

12 The 35 percent units also will have Section 8
13 subsidy attached to them for a ten-year term. Normally, when
14 there is Section 8 subsidy, we try to do a separate Section 8
15 increment loan. On this deal the increment loan was so small
16 we just decided to attach it to the first instead. So on the
17 Cash Flow you will see the Section 8 subsidy listed with the
18 affordable rents. The year 1 debt coverage is 1.12; it
19 increases to 1.24 in year 10 before falling to 1.04 in year
20 11. That is because there is a ten-year contract so we can't
21 assume that there will be Section 8 subsidy in year 11. This
22 1.04 is mitigated by the fact that there is a very strong
23 possibility that the Section 8 contract may be renewed.
24 Also, there is \$286,000 in an operating reserve required by
25 HCD that is available if there is a deficit in year 11.

1 That's all I have.

2 MR. WARREN: Okay. Thank you, Tina. As I said at
3 the outset, this is a Mercy Housing project. Mercy will act
4 as sponsor, developer and as property manager and administer
5 services. So with that, we would like to recommend approval
6 and be happy to answer any questions.

7 CHAIRMAN WALLACE: Jack.

8 MR. SHINE: Again, just a question. Did we see an
9 overall view of the subject site in this presentation or just
10 the ones from standing on the ground? We had an aerial view
11 of a piece of property that looked like it had slabs or one-
12 story buildings on it.

13 MR. WARREN: Yes.

14 MR. SHINE: Is that the subject property?

15 MS. ILVONEN: It was used as a staging area for the
16 construction of the **344** market rate units next door; so there
17 are things on the site, but those are coming off the site.

18 MR. SHINE: All those **30** or **40** slabs are coming off
15 the site?

20 MR. WARREN: They were not slabs.

23 MS. ILVONEN: They were not slabs.

22 MR. WARREN: I think they were pedestals or podiums
23 for materials for the development. It's a staging area.

24 MR. SHINE: Could we look at that first one,
25 please.

1 **MR. WARREN:** Sure.

2 **MR. SHINE:** The very first thing you showed.

3 **CHAIRMAN WALLACE:** When is a slab not a slab?

4 **MR. SHINE:** When you take it out.

5 **MS. ILVONEN:** That's the site right there. That's
6 the site, taken from the --

7 **MR. SHINE:** And then there is also an aerial of the
8 site that you are going to show us?

9 **CHAIRMAN WALLACE:** Back up one more.

10 **MR. SHINE:** Now, what is that? **Is** that the site
11 with all those white things on it? Or is the site where your
12 arrow is?

13 **CHAIRMAN WALLACE:** That's the one that's confusing.
14 **Is** that --

15 **MS. ILVONEN:** I think the site is where the arrow
16 is.

17 **MR. WARREN:** **It's** to the left.

18 **MR. SHINE:** So the site is the undeveloped,
19 untouched land, not the center of that photograph?

20 **MS. ILVONEN:** No. I think that is the **344** units.

21 **MR. SHINE:** Could you go back to the previous slide
22 which had that same view from a different angle? **Is** that the
23 same site from a different angle?

24 **MS. ILVONEN:** Um-hmm.

25 **MR. WARREN:** Yes.

1 **MR. SHINE:** And the one with the white stuff on it
2 is the apartment; those are two-story buildings. And the
3 arrow indicates the land in question?

4 **MR. WARREN:** The site is to the right.

5 **MS. ILVONEN:** I think so. It's hard to tell on the
6 aerials.

7 **MR. SHINE:** Thank you very much.

8 **MS. ILVONEN:** The foundations are to the north on
9 this picture so the site is to the south.

10 **MR. WARREN:** The south.

11 **MR. SHINE:** The foundations are in the center and
12 it is either east, west, north or south, the subject
13 property.

14 **MS. ILVONEN:** The site is to the south.

15 **CHAIRMAN WALLACE:** And that is the market rate
16 project with the slabs on it?

17 **MS. ILVONEN:** Um-hmm.

18 **CHAIRMAN WALLACE:** Because they do look like slabs.

19 **MR. SHINE:** That looks like it's --

20 **MR. WARREN:** I don't think it's the site. I think
21 the site is --

22 **MR. SHINE:** That is under construction. I mean,
23 that is not a finished site.

24 **CHAIRMAN WALLACE:** That's correct.

25 **MR. SHINE:** In the previous picture we showed the

1 land being to the -- what would be three o'clock from the
2 center, and in this picture we are showing it at six o'clock.

3 CHAIRMAN WALLACE: Yes, something like that.

4 MS. ILVONEN: This is the site from the south and
5 the other picture is the site from the north. I actually had
6 to ask the developer because I had trouble picking out the
7 site myself on this.

8 MR. WARREN: Go to the next one.

9 MR. SHINE: Did the developer give you a plot plan?

10 MR. WARREN: Go to the next one, go to the next.

11 MS. ILVONEN: That one?

12 MR. WARREN: Right. Now the site is up there. The
13 site is to the north.

14 MR. SHINE: Okay, thank you very much.

15 MR. WARREN: Okay.

16 CHAIRMAN WALLACE: **Any** further? Ed. Are the
17 market rates too high here, too? Do you know El Dorado
18 Hills?

19 MR. CZUKER: I have other concerns to share with
20 you. One of my concerns relates to, obviously, that the
21 appraised value, which is not uncommon, is coming in at \$22
22 million, yet the total budget is in excess of \$27 million.
23 In some cases, costs are greater than value but, obviously,
24 that is something that we need to be concerned about should
25 the loans ever go into jeopardy. Because if the value is

1 less than the total cost and we are financing the cost, we
2 obviously have some fiduciary duty here.

3 If you follow that concern to the cash flows that
4 are presented. I wanted staff to please talk to us a little
5 bit about the cash flows because repeatedly over different
6 periods, the cash flows go down to 1.0. In some cases at the
7 tail end of the loan to sub-1.0 coverage. Which means, we do
8 not have enough income to service debt. So if you look at
9 the cash flows starting on page **931**, we start off with a 1.12
10 coverage. If you go to the next page, **932**, we are down to a
11 1.04 coverage. If you keep going down to the next page **1.02**
12 coverage and the next page, we are at **.99**, **.93** by the time
13 you get to page **934**. So my concern really is how we are
14 going to deal with what appears to be every five to ten years
15 a dip in the ability to service debt and the possibility that
16 the property will go negative, even by our own projections.

17 MR. WARREN: I can go through a couple of the
18 issues. The first has to do with the reserves that we have
19 from **HCD**. Obviously we were concerned; as Tina indicated in
20 her presentation, as we come off the Section 8 in year 10
21 there is going to be a dip. So, obviously, the **HCD** reserves
22 need to be in place at that point in time to cover that. It
23 does run thin, and later on in the years we also know that
24 the operating budget here is fairly healthy going back to our
25 other discussions in the past.

1 As far as the final end years, Mr. Czucker, I guess
2 the best way to explain that is periodically, we will get
3 projects that are somewhat leveraged and given the expenses
4 to the income, the out years are going to go negative. It is
5 hard for us to accurately predict what will happen in those
6 years, but our sense is projects to have a way of managing
7 their way out of this. The principal in the last three years
8 for the project will be very low, that will be paid down, and
9 we are starting off with a fairly healthy LTV level.

10 I also point out that there is a great deal of
11 subsidy in the property as far as HCD, locality and from tax
12 credits. So we feel from a debt-load standpoint, we have
13 some coverage. But, admittedly, in the out years it is thin.
14 I don't know, Tina, if you wanted to comment on that. But
15 that's essentially how we looked at it.

16 MS. ILVONEN: No, I don't have any other comments
17 on it.

18 CHAIRMAN WALLACE: So Section 8 drops out in the
19 tenth year, or we assume it will drop out.

20 MR. WARREN: It may continue.

21 CHAIRMAN WALLACE: It might continue. But you are
22 not underwriting it.

23 MS. ILVONEN: No, because the contract is only for
24 ten years.

25 MR. CZUKER: But beyond the ten years, you are also

1 showing that -- the ten-year dip occurs in page 932. If you
2 then continue to 933 and 934, you see another dip each of
3 those periods.

4 CHAIRMAN WALLACE: The last five years.

5 MR. CZUKER: Besides the last five years. Even the
6 page prior. What is causing the change in projection
7 assumptions for the latter period?

8 MS. ILVONEN: Well, one of the projections is that
9 the expenses are increasing at 4 percent annually and the
10 income is increasing at 2.5 percent annually. So they keep
11 moving in opposite directions. That is one thing that is
12 driving the debt coverage lower and lower each year.

13 MR. WARREN: You're talking about how the debt
14 coverage ratios seem to oscillate up and down a little bit?
15 Ed, is that what you're referring to?

16 MR. CZUKER: Yes.

17 MR. WARREN: The math ought to be linear versus
18 oscillatious. I guess we would have to look at the
19 arithmetic. But I think the general trend is down in the
20 debt coverage ratios. We would have to look at the math. If
21 you look at the R for R, Mr. Czuker, you will find that every
22 five years there is an increase, an incremental increase in
23 the escalators for the R for R. They go flat for five years,
24 then they go up incrementally, then they're flat for five
25 years. So that might be contributing to the oscillations in

1 the debt coverage ratio. I think it's two percent. I forget
2 what the escalator is. It's two percent every five years in
3 the R for R increases. That might contribute to that.

4 CHAIRMAN WALLACE: Bob.

5 MR. KLEIN: I think that makes a lot of sense.
6 Because in years 11 through 20, even using your **2.5** percent
7 rent increases and your **4** percent expense increases, you are
8 still getting increases in coverage. So there is something
9 else happening in this later period, 21 through 30, where
10 your trending has not changed but your debt service coverage
11 is dropping. I would like to say here that I think it is
12 very important when we have something with this type of a
13 pattern to get a special explanation in the book.

14 We do have the ability, obviously here, if we are
15 in the twenty-fourth year, and we think we are really going
16 to get these as actual drops we could refinance these housing
17 bonds, re-amortize them and give ourselves substantial room
18 in the debt service coverage. It would radically change all
19 these numbers and give us lots of cushion. So while I am
20 less concerned in the out years because of our ability to
21 refinance, I am very concerned when that occurs in the early
22 years, years 11 and **12**, when we are at 1.04 and 1.05.
23 Hopefully we can do something to build in a cushion there.

24 MR. WARREN: We have, Mr. Klein. The HCD reserve
25 of almost \$300,000 will be in place in year 10 and forward.

1 Actually, from the inception and accruing. That is why it's
2 there. **As** we come off the Section 8, we have to have a
3 transition reserve to go from their higher rents. That is
4 why the HCD reserve is there.

5 MR. KLEIN: The Section 8 rents dropped off.

6 MR. WARREN: The Section 8 rents drop off.

7 MR. SHINE: But if they drop off and you have a
8 building sitting there, and you have units that we're getting
9 rent that you are not getting Section 8, you are going to get
10 something.

11 CHAIRMAN WALLACE: Right.

12 MR. WARREN: Yes, we are.

13 MR. SHINE: And I notice that -- I mean, just in a
14 quick overview, I really didn't focus on this. But if your
15 rental income is \$1,710,000 in year 10, okay; and it is
16 \$1,753,000 in year 11, and your Section 8 rents are
17 completely wiped out, are you -- I mean, you are not sitting
18 with a bunch of empty units.

19 MR. WARREN: No.

20 MR. SHINE: You are renting them to somebody for
21 something. That should be in your cash flow.

22 MR. WARREN: Well, no. When we underwrite Section
23 8, we take a conservative approach that if Section 8 stops,
24 there is no supplemental income from the Section 8. When we
25 underwrite all of our Section 8 projects, we take that

1 approach. We could put in an incremental rent increase in
2 the tenant-paid portion --

3 MR. SHINE: Yes, but you are off of contract at
4 that point. You are not obliged to rent at that rate
5 anymore, either.

6 MR. WARREN: But in reality what would happen,
7 Mr. Shine, is we would probably get vouchers on the project.
8 But when we size debt that involves Section 8, we assume it
9 goes away in its entirety because that is a conservative way
10 to underwrite it. Other lenders will assume that vouchers
11 will automatically take the place of contract levels, and
12 that debt load, the \$1 million or so Section 8 money, would
13 continue. We do not underwrite that way.

14 MR. SHINE: From a business point of view, if you
15 have Section 8 and it gets eliminated, there's two choices.
16 Either you get something in its place to help out, which
17 would change this materially.

18 MR. WARREN: Yes, it would.

19 MR. SHINE: Or you don't. In which case, you go to
20 market rates, which would change this materially.

21 MR. KLEIN: Well, they can't go to market.

22 MR. WARREN: But the affordability --

23 MR. SHINE: Or something. Some kind of rat&.

24 MS. ILVONEN: These units would be rented at 35
25 percent AMI without the Section 8.

1 MR. WARREN: That's right. Reality is --

2 MS. ILVONEN: And that is in this cash flow.

3 MR. WARREN: Right. But reality is there is no
4 such thing as the Section 8 totally going away. The
5 operations would be supplemented by vouchers and it would not
6 stop the next day.

7 MR. SHINE: Okay.

8 MR. WARREN: Section 8 would continue in some form,
9 either through a continued contract or by vouchers, which
10 would take the place of the contracts.

11 MR. SHINE: And that is not in here.

12 MR. WARREN: That is not in there.

13 MR. SHINE: So that is what makes it look so bad.

14 MR. WARREN: But that is the conservative nature of
15 it.

16 MR. KLEIN: I would say that going back over a
17 large number of years, the staff has built conservatism into
18 a number of areas of these cash flows **and** has **not** shown, for
19 example, the ability to refinance and re-amortize, which they
20 do have. So there are a number of cushions. I would like to
21 say, though, that speaking from one Board member's
22 standpoint, it is a real benefit, Jack, to have you here.
23 The rigorous nature of the questioning; I hope the staff,
24 although, understands it.

25 I am particularly pleased at the tremendous effort

1 the staff goes through to get the projects to us, multifamily
2 projects, and make them work. So it is great to see the
3 increase in multifamily lending that is going on. We know
4 that each one of those is tough to put together. But to the
5 extent that we get projects where in year 11 we have a low
6 like this, if you could give us some additional information.
7 And if we need to buttress those with some special reserve
8 set-asides or something, **I** as one member of the Board would
9 be very open to it. **I** do know **you** do build conservatism in a
10 number of areas into the projections, but please give us a
11 little narrative and tell us in more detail what those are.

12 **MR. WARREN:** Sure. **We** would be happy to.

13 **MR. SHINE:** But that's good.

14 **MR. KLEIN:** That is good.

15 **MR. SHINE:** The only thing is, in the real world
16 that is not what is going to happen.

17 **CHAIRMAN WALLACE:** That's okay.

18 **MR. SHINE:** They are doing it properly.

19 **CHAIRMAN WALLACE:** **As** long as we know the rules
20 they are underwriting, by then we can --

21 **MR. SHINE:** It's a good project.

22 **CHAIRMAN WALLACE:** Because it isn't really a zero.

23 **MR. WARREN:** And **I** think Mr. Shine's point is well
24 taken. This is consistent with how we have underwritten them
25 in the past and **I** think that's a good item to point out.

1 CHAIRMAN WALLACE: Sure.

2 MR. WARREN: That reality sometimes differs from
3 projections. And that is something we should probably
4 explain more thoroughly.

5 CHAIRMAN WALLACE: Give us a little more
6 explanation when you see it hit that level.

7 MR. WARREN: Certainly.

8 CHAIRMAN WALLACE: Good, well done. Having said
9 that --

10 MR. SHINE: I'll make the motion.

11 CHAIRMAN WALLACE: Jack. Jack and Judy.

12 MR. SHINE: It was Judy and Jack last time.

13 CHAIRMAN WALLACE: Went over the hill together.

14 MR. SHINE: Watch it.

15 CHAIRMAN WALLACE: Or was it down the hill? Having
16 said that, any questions from the Board or the audience on
17 the motion to approve? Hearing and seeing none, Secretary,
18 please call the roll.

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

20 MS. OJIMA: Mr. Bayuk?

21 MR. BAYUK: Aye.

22 MS. OJIMA: Ms. Nevis?

23 MS. NEVIS: Aye.

24 MS. OJIMA: Ms. Neal?

25 MS. NEAL: Aye.

1 MS. OJIMA: Mr. Czucker?

2 MR. CZUKER: Aye.

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

4 MR. KLEIN: Aye.

5 MS. OJIMA: Mr. Shine?

6 MR. SHINE: Aye.

7 MS. OJIMA: Mr. Wallace?

8 CHAIRMAN WALLACE: Aye.

9 MS. OJIMA: Resolution 02-24 has been approved.

10 CHAIRMAN WALLACE: Resolution 02-24 is hereby
11 approved. Okay, we did great. We are through the projects
12 by noon. And I understand our attorney friends are here.

13 **REVIEW AND DISCUSSION OF THE SECTION 8 LOAN REFINANCE POLICY**

14 MS. PARKER: Linn, do you want to follow up with
15 the Section 8 policy and move from projects?

16 MR. WARREN: What is the Board's pleasure?

17 CHAIRMAN WALLACE: Well, how long do you think it
18 will take?

19 MR. WARREN: I can abbreviate it. Actually, what I
20 can do is not do the PowerPoint presentation, maybe just take
21 the Board through the talking points. We have copies of the
22 presentation in front of you, and then that might be a quick
23 way to get through it; it might save some time.

24 CHAIRMAN WALLACE: I would love to get the action
25 items out. We know not whether Carrie is coming back and Ed

1 Bayuk has a -- let's see. I have got an action item required
2 in 5, the Section 8 guidelines.

3 MR. WARREN: It's not an action item, this is for
4 discussion purposes for the Board.

5 CHAIRMAN WALLACE: Okay. And we have got -- and
6 predictions are it is going to take in Item 6 the better part
7 of an hour. So that those of you who are not involved, there
8 kind of have a handle on it. I am somewhat disposed, since
9 it is not an action item, to put 5 behind. How long?

10 MR. WARREN: I can probably be done in about 15 to
11 20 minutes.

12 CHAIRMAN WALLACE: But you can't predict what we
13 are going to do.

14 MR. WARREN: That's true.

15 MS. PARKER: Mr. Chairman, if I could just point
16 out. We do have some people in the audience who have come to
17 speak on this particular issue.

18 CHAIRMAN WALLACE: On the --

19 MS. PARKER: Section 8 policy.

20 CHAIRMAN WALLACE: Okay.

23 MS. PARKER: And I think what I would **also** -- staff
22 has sort of lined this up this way because we believe that,
23 frankly, the closed session will lead into the discussion on
24 the remaining item to be voted on. If we could keep those
25 together, it will provide a much better context, I believe,

1 for you to understand the issue.

2 CHAIRMAN WALLACE: Which is the Insurance
3 Committee?

4 MS. PARKER: Correct. That's the last item that
5 needs to be voted on.

6 CHAIRMAN WALLACE: I thought that would go fairly
7 quickly. Having said that, my disposition was --

8 MS. PARKER: What about taking comments on those
9 three items so that the people don't have to wait if they are
10 here now?

11 CHAIRMAN WALLACE: How many are here on the Section
12 8 discussion? Is there more than one that wants to comment?

13 CHAIRMAN WALLACE: Bill, you are here for the
14 Section 8 and I didn't see anybody else. I would like to get
15 that in, the last action item, which should go pretty
16 quickly, particularly in view of what Terri said. Which
17 means 12:30-ish? Okay, let's do it that way. Let's go right
18 now to the Section 8 loan refinance policy. That puts us
19 pretty much on a target that I'm shooting for of 12:30 on
20 that item.

21 MR. WARREN: Thank you, Mr. Chairman. The
22 materials that you have today regarding the Section 8 really
23 relate to the portfolio of the Agency's loans that are tied
24 with Section 8 contracts. There are approximately 150 of
25 these projects representing over 8,000 units, about \$340

1 million in total debt. In the late 70's, early 80's, the
2 Agency was actively involved with the construction and
3 permanent financing of projects that had attached Section 8
4 contracts.

5 We, briefly, had two types: The first had to do
6 with contracts that are the same length as the debt, either
7 30 or **40** years. These are guaranteed contracts from HUD.
8 The second are what our materials refer to as mismatches, and
9 these are where the contracts are expiring now after 20
10 years, but the loans will continue for 10 or 20 more years.
11 Those particular loans are insured through FHA. For the
12 obvious reasons, the Section 8 contracts we just discussed a
13 moment ago should go away.

14 Over the last two years, the Agency has gone
15 through refinancings of about four of our projects on a test
16 basis to see what it would take to refinance these projects.
17 We think now is an appropriate time for the following
18 reasons: They are 20 years old. By most common wisdom, 20
19 years is the appropriate time to recapitalize or rehabilitate
20 apartments. 'The owners have been with the projects for 20
21 years, and many of them are desirous of getting out for a
22 variety of reasons, estate planning, income, they see the
23 sales prices that unrestricted projects are offering and,
24 obviously, they may want to enhance their **own** financial
25 position because of that.

1 The Agency feels that we would like to see these
2 projects transferred into motivated ownership. I will stop
3 here and say this particular set of guidelines will relate to
4 financing as it relates to sales. We have not at this time
5 come up with a set of guidelines for the refinancing of
6 existing projects where the owner stays in the property but
7 with an equity take-out or something like that. That is a
8 different program and we will be addressing that. But for
9 right now, the pressure that we are feeling from owners --
10 and from purchasers, quite frankly -- is to see if we can
11 come up with a solid set of guidelines to facilitate these
12 sales.

13 So with that, let me jump right into portfolio
14 goals from the materials that you have in front of you and
15 the guidelines. We had a number of basic goals that we
16 wanted to pursue. We felt that the first was to preserve the
17 affordability as long as we felt was practical. In this
18 particular case, we were looking to extend our regulatory
19 control on the properties for up to 50 years from the time of
20 the refinancing. The new debt would be 30 in length, and we
21 would have 20 years of regulatory control and an
22 affordability level of most likely 50 and 60 percent after
23 the primary loan pays off.

24 We want to recapitalize these projects through new
25 debt, which on average would be twice the amount of the size

1 of the loan, two-and-a-half times the size of the loan, that
2 exists today, plus project reserves. Many of these projects
3 are very well reserved, and we want to utilize those reserves
4 for the benefit of the project's rehabilitation. We are not,
5 at this juncture, allowing the reserves to leave the project
6 in the form of sales prices.

7 A third area which is important to us is the
8 ownership. The Agency feels that it is very important for us
9 to approve the transference to motivated sponsors, both
10 nonprofit and for-profit. We also want to encourage and
11 stress that the nonprofits that are involved in these
12 projects be local nonprofits that know the areas, know the
13 markets, and more importantly, can run the service components
14 in the local areas. So we do want to stress that part of our
15 approval.

16 **CHAIRMAN WALLACE:** Why is that?

17 **MR. WARREN:** Well, what we found is -- we really
18 believe that the local nonprofits need to be encouraged to be
19 involved in these projects. If they harbor a for-profit, we
20 think that is a good partnership to go forward in the
21 projects. What we do not want to see are nonprofits that
22 perhaps are not as dedicated to services or dedicated to
23 development as others might be. So we want to encourage
24 genuine nonprofits that have a goal to deliver services and
25 act as an appropriate general partner.

1 CHAIRMAN WALLACE: That is laudable but I am not
2 sure you have to be local in order to meet that.

3 MR. WARREN: *And local* can be a relative term.
4 Say, Southern California, Northern California, the Central
5 Valley, with a broad area of expertise in the area.

6 CHAIRMAN WALLACE: But we have seen on today's
7 agenda, Mercy Housing going different places, BRIDGE Housing
8 in Southern California.

9 MR. WARREN: And each of those have several offices
10 in Southern California and Northern California.

11 CHAIRMAN WALLACE: Well, I just --

12 MR. WARREN: I understand what you are saying,
13 Mr. Chairman.

14 CHAIRMAN WALLACE: I am just saying, local does not
15 mean necessarily, in my mind, translate to -- all else being
16 equal, I would not necessarily exclude what I read into local
17 here.

18 MS. SYMONDS: Mr. Chairman.

19 CHAIRMAN WALLACE: Toni.

20 MS. SYMONDS: I just wanted to support that. In
21 other areas we are seeing -- the idea of local I think is
22 really excellent, but maybe you have to demonstrate capacity
23 in the area. We have had problems where we tried to do
24 projects, and we didn't necessarily have nonprofits that
25 wanted to do things at that time because they were shifting

1 capacity into another area. So maybe there is another word
2 besides *local*. I think their intent is exactly where it
3 should be but I think --

4 MR. SHINE: Mr. Chairman, are you really thinking
5 more along the lines of someone who has local expertise in
6 dealing with a market as opposed to a stranger coming in?

7 CHAIRMAN WALLACE: What if you don't have any local
8 entity that steps up to the line? Does that mean that BRIDGE
9 and Mercy can't do the job?

10 MR. WARREN: No, I think what we are trying to say
11 here, Mr. Chairman --

12 CHAIRMAN WALLACE: That's where I'm heading.

13 MR. WARREN: I understand. We are trying to
14 encourage those local nonprofits that are housing developers
15 in their own right in the localities to be part of this
16 financing structure because we think there is a benefit. In
17 the absence of that, clearly, we are not going to say, we
18 can't find somebody. I don't think that's okay.

19 CHAIRMAN WALLACE: Well --

20 MR. WARREN: But when we say the word *encourage*,
21 that's what we are trying to achieve.

22 CHAIRMAN WALLACE: I understand.

23 MR. WARREN: Okay.

24 CHAIRMAN WALLACE: I would not want to stop a
25 project from being transferred to our kind of financing, what

1 you're doing here, if a local wasn't qualified, B, didn't
2 step up to the line, or C, somebody else who was,
3 quote/unquote, Northern California going to Southern
4 California was eminently more qualified.

5 MR. WARREN: If they are qualified. That's the
6 key. Is the nonprofit -- and we shouldn't focus just on the
7 nonprofits. Are the for-profits also qualified?

8 CHAIRMAN WALLACE: Sure. Reserve a little latitude
9 into that.

10 MR. WARREN: I'm not trying to be too severe.

11 CHAIRMAN WALLACE: Okay.

12 MR. CZUKER: Linn, are you waiting for sponsors to
13 bring you projects, or are you trying to identify portfolios
14 where there are going to be these problems and, therefore,
15 these opportunities with maturing contracts or a mismatch
16 that may give sponsors either the lack of motivation or the
17 motivation to reposition the asset?

18 MR. WARREN: Well, obviously, the portfolio is our
19 own portfolio. These are our own loans that we have the debt
20 on. In the area of mismatches, if we can jump to that for a
21 minute, those are more at risk because the Section 8 contract
22 is expiring. We certainly want to motivate those owners and
23 buyers. To go after those projects to try to lock in the
24 affordability. On the coterminous contracts our goal, quite
25 frankly, is to build a program that facilitates the sellers

1 so sell if they want to and sponsors to buy if they want to.
2 So we are just trying to create an infrastructure to do that.

3 MS. PARKER: This would essentially be offered to
4 those people who fit this criteria?

5 MR. WARREN: This would be offered to --

6 MS. PARKER: We can't do something that would not
7 be offered across the board.

8 MR. WARREN: That's right. This would be offered
9 for our portfolio.

10 CHAIRMAN WALLACE: Okay. Toni.

11 MS. SYMONDS: What is the current requirements on
12 the loans or terms relative to prepayment or resale? After
13 you eliminate your first item under your portfolio goals, how
14 do you [indiscernible] that from the existing rules that we
15 are supposed to be operating under?

16 MR. WARREN: The majority of the loan documents we
17 have today on Section 8 projects preclude prepayment without
18 the express approval of the Agency. This is there for just
19 that. We want to be able to control, to a large degree, the
20 benefit of the project. Up to date, we have not allowed
21 prepayment or opt-out and there's been valid reasons. And
22 that is also similar to the loans approved today. Those also
23 have the same prepayment prohibitions. But that said, we
24 think this is appropriate to allow prepayment or new
25 financing, with the Agency only, not with anyone else but

1 with us, to facilitate these sales.

2 MR. CZUKER: On the mismatched projects in the
3 portfolio. Are the affordable housing restrictions running
4 beyond the expiring contract or, in these cases, when the HUD
5 contract expires we serve as the affordable restrictions?

6 MR. WARREN: They go away. They lessen. In many
7 cases, they lessen when the Section 8 contract expires. So
8 that has been big slot over the years. Hence, the need to be
9 more aggressive on those refinancings.

10 MS. SYMONDS: On your first sub-bullet in that
11 first section it says: "After the expiration of original
12 project-based contract, owners will be required to seek and
13 accept extensions or renewals of the contract."

14 MR. WARREN: That's right. The goal there would be
15 that if we offer financing, we want the project-based
16 assistance to continue. A number of owners under some
17 mismatch situations can say, we would like to terminate the
18 contract-based assistance, we would be happy to go to
19 vouchers. The Agency, as a matter of policy, has always
20 supported project-based assistance as a beneficial thing. So
21 if our financing is attractive enough, and we think it is and
22 certainly hope it is, that contingent upon that is the
23 requirement that they seek and accept the continuation of a
24 project-based contract. And mark it up to market or do
25 whatever HUD would allow them to do to enhance the contract.

1 CHAIRMAN WALLACE: Let's keep it going.

2 MR. WARREN: Continuing with the portfolio goals.
3 You will notice there is a bullet here **on the third** slide,
4 net sales proceeds. We obviously want to encourage fair
5 market sales prices. We will look at this if there needs to
6 be an appraisal or other evaluation to make sure the sales
7 price is recent. To date, they all seem to be. But we also
8 want to advise all the parties that we are looking to recent
9 units on the sales price.

10 We have looked at our -- regarding HUD approval.
11 That's a bullet point we have been very fortunate or
12 successful in the past in taking all of our Section 8
13 financings to HUD for approval both on a portfolio-wide basis
14 and on an individual basis. We will continue **with** that. **But**
15 we will basically seek approval from HUD at the outset and
16 continue with that as we go forward. HUD **very much**
17 appreciates that.

18 The last bullet point on the third slide: mitigate
19 reduced income. **As** many of you may know, many interest rates
20 on these older loans are relatively high, and the Agency
21 takes the income from these loans and funds HAT, HELP
22 programs and other Agency funds. There will be some loans
23 that we cannot replicate the income completely, but there are
24 some techniques that we can utilize providing the project can
25 handle it, such as prepayment fees, some sort of loan pricing

1 or maybe even some sort of residual receipt sharing. This
2 needs to be worked out. But we think this is another way of,
3 obviously, keeping the sales price reasonable and to generate
4 income for the Agency so that these HAT-type programs can
5 continue.

6 Moving on to the guidelines. Generally, the
7 financing guidelines that we will be using are pretty much
8 the same as we use for all of our Section 8 preservation
9 financing. We utilize a primary loan which is underwritten
10 to 20 percent at 50 and the balance at 60. Those
11 underwriting requirements will be mitigated by some other
12 programs, say MHP, for example, which might require deeper
13 affordability in the long term, we would lower our rents
14 accordingly. Or, if the market is such that the 60 percent
15 rents, or in some cases even the 50 percent rents, are so
16 close to market, that we would use discounted underwriting
17 rents to size the primary loan for 30 years.

18 The departure from, I think, other HFA's around the
19 country is the DP structure. That is where with the
20 remaining contract term of 10 or 20 years on these projects
21 we are able to lend against that increment between the
22 underwriting rents and the contract levels, which don't
23 change. That is a fairly safe piece of debt because it does
24 amortize out for the remaining period of the Section 8. We
25 have used it on a number of other preservation financing

1 programs with the Agency, and we think it is appropriate here
2 to leverage up debt to help with an attractive sales price.
3 And we think it is a worthwhile financial model to go after.

4 As I said earlier, we want the regulatory period to
5 extend out to 50 years. Right now, we are looking at the
6 affordability after the Section 8 expires at 50 and 60
7 percent rents. We are not 100 percent certain where that
8 should be at this juncture, but we do know that \$10K portions
9 of Section 8 contracts are probably adequate by themselves to
10 cover project operation expenses after the debt service goes
11 away.

12 Phrased another way, the original plan of the
13 Section 8 projects is when the debt burned off and the
14 Section 8 contract burned off the \$10K portion, which might
15 be 20 percent, whatever the small number would be, would be
16 adequate to pay expenses. We don't believe that is correct.
17 Studies indicate today that that's not enough money and,
18 hence, there may have to be higher regulated income for the
19 projects. How we get there from the Section 8 ending to the
20 new one is something we have to work out from a guidelines
21 standpoint. But we want to be realistic there's enough
22 rental income after the debt is paid off to cover expenses.

23 Another important point: I mentioned earlier about
24 the reduced income. There will be some projects in which we
25 can't replicate the income. The Agency is willing to

1 basically accept reduced yield or income in exchange for the
2 50 year affordability, particularly in high cost areas. We
3 think it is a fair trade to accept these reduced moneys for
4 insuring projects for 50 years. And those will be handled,
5 as I said, in high-cost areas and also on a case-by-case
6 basis.

7 MR. KLEIN: What was that statement? Can you
8 repeat that?

9 MR. WARREN: That for those projects in which we
10 can't fully replicate the income for the new financing.

11 MR. KLEIN: Okay.

12 MR. WARREN: We may want to, basically, accept a
13 reduced yield in exchange for 50-year affordability. And
14 that's just a trade. And that is the case right now, at
15 \$10,000 per unit net present value of lost income. But that
16 is the analysis we have done today. We think those projects
17 will be fairly limited in number. Obviously, the lower we go
18 with the refinancing, the more they will be mitigated. But
19 we want to be able to offer that as a way to facilitate these
20 sales.

21 MR. KLEIN: Okay.

22 MR. WARREN: I think that the final point really
23 relates to, I mentioned and alluded to earlier, we have a
24 number of Section 8 projects in which the contract rents are
25 well in excess of comparable market rents, particularly in

1 the High Desert area. It is important to note to all the
2 parties involved, that just because we have these contract
3 rents, it does not mean that we are going to walk away from
4 prudent underwriting. We may have to discount the market
5 rents. We will try to leverage the Section 8 as much as we
6 possibly can; but in these projects, the transition from
7 Section 8 to affordable rents is critical, and in most cases
8 we will require some sort of transition reserve.

9 One point I inadvertently skipped over was the
10 multi-use reserve, the first bullet point on one of the
11 second pages. Section 8 projects, all projects today suffer
12 from a lack of reserves. What we wanted to establish is at
13 the time of the new 30-year loan being paid off that there be
14 reserve dollars in place to help with project issues. So we
15 are going to require that some form of reserve be established
16 at the front end that will survive for the **30-year** term and
17 be available for the project after the 30-year period is let
18 go. We don't know what that is going to look like from a
19 size standpoint. We certainly want it to be adequate; we
20 also do not want to bankrupt the properties by capitalizing a
21 huge reserve. But we think it is important that our
22 successors to these projects have reserves that they can
23 utilize for whatever purposes might be, versus having them
24 run to zero at the end of 30 years.

21 MR. KLEIN: What happens on these reserves in terms

1 of having adequate interest reserves earning continuously
2 through the life of the project? As you know, interest rates
3 are very low right now.

4 MR. WARREN: Okay.

5 MR. KLEIN: I saw an interesting comment in one of
6 the briefing papers that said that the State Treasurer's Fund
7 is like 2.5.

8 MR. WARREN: Yes.

9 MR. KLEIN: Which is better than, significantly
10 better than, a lot of the alternative short-term rates. Do
11 we put any of the reserves into the State Treasurer's Fund?
12 Can we get a benefit for the projects by doing so?

13 MR. WARREN: I believe that is where they are
14 invested.

15 CHAIRMAN WALLACE: That's a Carlson question.

16 MR. WARREN: That's actually a Mr. Gilbertson
17 question. But I believe they are invested in the State
18 Treasurer's Fund. But I think the short answer **is** we do
19 invest that in those State Treasury Funds, and I **believe** we
20 take off a certain percentage of the interest for our
21 administration of it and rebate the balance of the interest
22 back to the borrowers.

23 MR. KLEIN: And what is that split? What do we do?
24 Does Ken know?

25 MR. WARREN: Well, I --

1 CHAIRMAN WALLACE: Ken has got a report in here.

2 MR. WARREN: I'm sure that Ken can think of the
3 answer but --

4 CHAIRMAN WALLACE: Is it Bruce? Give us the --

5 MR. CARLSON: Thank you. Our policy, which we have
6 been reviewing lately, since it made more sense when rates
7 were high, we were taking a point off the rate for
8 administrative funds. We, admittedly, **need to look at** that.

9 MS. PARKER: We have been talking about that.

10 MR. CARLSON: Yes, we have, we were talking about
11 that internally.

MR. WARREN: When it was 5, it made sense; now that
13 it's 2, it doesn't. And thank you for pointing that out to
14 the sponsors that are still in the room (laughter).

15 CHAIRMAN WALLACE: Aren't we in the closed session
16 yet, Linn?

17 MR. WARREN: Not soon enough, Mr. Chairman.

18 CHAIRMAN WALLACE: Have you completed your --

19 MR. WARREN: I am done. And I do apologize for --

20 CHAIRMAN WALLACE: No --

21 MR. WARREN: But I think this is nothing new, quite
22 frankly.

23 CHAIRMAN WALLACE: Very timely.

24 MR. WARREN: We do want to bring projects to the
25 Board in November in anticipation of 2003 CDLAC. That's the

1 reason we brought it today.

2 CHAIRMAN WALLACE: Any further questions from the
3 Board? Jeanne.

4 MS. PETERSON: Just one or two questions in the
5 interest of time. I think it's really a good thing that we
6 developed. What I wanted to ask was, I believe that most of
7 these projects have had a limitation on the return available
8 to the --

9 MR. WARREN: Yes.

10 MS. PETERSON: So in addition, didn't you say that
11 the project reserves will stay with the project? Presumably,
12 the majority of them have probably very large built-up
13 residual receipts.

14 MR. WARREN: Yes, they do.

15 MS. PETERSON: And again, how would this suit it
16 that those will be permitted to go to help pay the purchase
17 prices? We are wondering if you are looking at a limitation
18 on return to the new owner and what it would be.

19 MR. WARREN: We generally don't begin with it. We
20 think on the new projects we don't really want to limit the
21 return, vis-a-vis the 6 percent numbers, but we want to look
22 at what the underwriting is to see what is a reasonable
23 return from a cash-flow basis. I think we need to be
24 somewhat careful here. I think we want to encourage owners
25 to purchase these things, make them motivated to have some

1 real reason for acquiring it. But that said, they can run
2 low on cash, and we have to be clear if we want to limit
3 that; and if we are going to limit it, what is it going to
4 look like. And that is something, I think, we need to spend
5 some more time on. A lot is determined by the dynamics.

6 MS. PETERSON: I think that's something that the Board
7 would be interested in.

8 MR. WARREN: I think so, too.

9 MS. PETERSON: But the other thing that I think I
10 heard you say, I just wanted to check, is that there is a
13 prepayment prohibition for the entire length of the mortgage
12 on these Section 8 --

14 MR. WARREN: Correct.

15 MS. PETERSON: Okay. In that case, I think it's
16 really important to discuss that for Board policy. I
17 question whether that will be any limitation as part of the
18 overall policy, or if it will be on a case-by-case basis.

19 MR. WARREN: Yes.

20 CHAIRMAN WALLACE: Bob.

21 MR. KLEIN: In that regard, while reasonable
22 controls, obviously, are very important in order to maintain
23 affordability, the initial period of the HUD implementation
24 of their preservation program stalled out because there was
25 not sufficient return. So there is some balancing act here
26 where we have to make sure the sponsors are induced to, A,

1 get the projects implemented; and B, keep their attention so
2 that they are well maintained and supervised. I am very
3 interested in this balancing point.

4 MS. PETERSON: I certainly wasn't thinking of that
5 as a stingy return, if you will recall.

6 MR. KLEIN: Right.

7 MS. PETERSON: Not only the six percent, although
8 it's pretty small, but it's based on an equity figure that
9 was calculated very small. The equity amount that would be
10 in these deals would be very large, so I think it would be
11 worthwhile to look at the percentage.

12 MR. KLEIN: Right.

13 MR. WARREN: And I think that's a good point. I'll
14 tell you that my initial look on this is, our goal is to
15 leverage the existing cash flow to the maximum from a debt
16 standpoint, which would serve to automatically limit the
17 returns. Quite frankly, at this juncture, you know we are
18 not looking at a formal limitation on reserve but to mandate
19 that the cash flow be fully leveraged. If we find situations
20 in which there is a great deal of excess cash, we need to
21 look at that as an emerging issue. But right now, we are
22 trying to develop mechanisms that by definition, when the
23 return is available, goes to take up the debt. And we think
24 that is a better way to go than to sit down and administer
25 cash-on-cash returns on an annual basis. So we are trying to

1 be a little more current on that, but **we also** don't want
2 to --

3 CHAIRMAN WALLACE: Okay. Bill, come forward if you
4 would like, we would love to hear from you.

5 MR. WITTE: Really, all I had to say --

6 CHAIRMAN WALLACE: Would you grab a mike and just
7 announce who you are and who you represent?

8 MR. WITTE: Bill Witte, Related Companies of
9 California. Really, the only thing I have to add is that we
10 are very supportive of the directions that it's taking and
11 think with the attention to detail that has been discussed,
12 that it can be a very successful way to preserve these
13 projects.

14 CHAIRMAN WALLACE: Well, Related does a lot of work
15 with us and we are happy to have your input.

16 MR. WITTE: Thank you.

17 CHAIRMAN WALLACE: So thanks, Bill. **Was** there
18 anyone else from the audience that cared to comment on this?
19 Jackie, I saw your hand go up. I thought not. Okay.
20 There's no --

21 MS. PARKER: There is no action.

22 CHAIRMAN WALLACE: No action required.

23 MR. WARREN: There's no action. The approvals on
24 these projects will come on an individual basis.

25 CHAIRMAN WALLACE: You should bring more projects

1 that are no action required. This is easy **for** us.

2 MR. WARREN: Just say the words, Mr. Chairman
3 (laughter).

4 CHAIRMAN WALLACE: You already went there.

5 MR. WARREN: My dream, sir, before I leave the
6 Agency, is a consent calendar, which will never happen.
7 (Laughter).

8 CHAIRMAN WALLACE: Well, we won't consent to that.

9 MR. WARREN: I know.

10 CHAIRMAN WALLACE: We will now adjourn into
11 executive session for the purposes outlined **in Item 6 on our**
12 agenda. I think for those of you who are coming back, we are
13 in really pretty good shape. Therefore, my suggestion is you
14 look in in about **45** minutes. We are in recess.

15 **CLOSED SESSION**

16 (The luncheon recess was taken off the
17 record, during which the Board held a
18 closed session.)

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A F T E R N O O N S E S S I O N

CHAIRMAN WALLACE: We are going to reopen and go to the next item. Before I do, let me say that we are back in session and out of executive session, in which session we heard Item 6 on the agenda and nothing else. No action was taken as a result of that executive session.

RESOLUTION 02-25

Having said that, I am going to move on to Item 7 and that is, Nancy, you and Tom. Nancy.

MS. ABREU: I am passing the baton to Tom.

CHAIRMAN WALLACE: That's a **good** thing to do. Tom.

MR. HUGHES: Mr. Chairman, the resolution before the Board is to terminate the Insurance Committee.

CHAIRMAN WALLACE: That's page 900 and something. Page 948.

MR. HUGHES: The basis of the resolution is to terminate the committee that was established by the Board in 1993. That committee, in Resolution 93-40, was charged to be the forum for resolution of questions relative to the duties delegated to the Director of Insurance. To be the arbiter. Actually, the body that will decide such questions. The

1 genesis of that committee, in part, was due to concerns by a
2 rating agency that that sort of separation was necessary.

3 The rating agency has confirmed with us that it no
4 longer feels that way. We believe that the experience that
5 we have shows that the committee is not needed anymore, and
6 it is questionable whether that committee, operating only as
7 a committee, could even legally decide those issues. So our
8 gut sense is that the committee should be abolished as
9 unnecessary.

10 CHAIRMAN WALLACE: My own editorial position: it
11 was a pain in the neck because we never did anything. There
12 is absolutely -- I got those annual calls and the reality is,
13 you all have the control here. That committee never brought
14 you any action as long as I attended its meetings because we
15 didn't have anything. So hearing that, I will call on Ed for
16 something.

17 MR. CZUKER: Just a question. Is this the
18 committee that was also supposed to be looking into our
19 Director and Officer Insurance?

20 CHAIRMAN WALLACE: No.

21 MR. CZUKER: Different?

22 CHAIRMAN WALLACE: No, that was a committee of the
23 whole Board.

24 MR. CZUKER: Okay.

25 CHAIRMAN WALLACE: This is really a CaHLIF

1 oversight committee that didn't function. We would call
2 meetings because Terri said, or her predecessor said, we had
3 to have a meeting because of the **93** resolution.

4 MS. PARKER: Right.

5 CHAIRMAN WALLACE: It just isn't necessary. You
6 were on the committee.

7 MS. HAWKINS: In **1993**, I was the Chairman of the
8 committee. Then somewhere along the line, the Chairman
9 became the Chairman himself because we never did anything
10 anyway. It had been based on the recommendation in the past
11 that you already have heard. But there was -- it never
12 made --

13 MS. PARKER: Mr. Chairman, one other comment about
14 it. I think one of the reasons why we are bringing this to
15 you is because of conversations that Nancy has had with the
16 rating agencies that they no longer believe it is necessary.

17 MS. HAWKINS: Right.

18 MS. PARKER: But also because this has really
19 provided additional, sort of, ammunition to this conflict
20 between the insurance side of the house and the CHFA side of
21 the house. Last year, when legislation was going through,
22 Mr. Keeley's bill to again separate CaHLIF from CHFA, we were
23 asked from Mr. Keeley to supply all of the minutes from the
24 Insurance Committee meetings. Since the Insurance Committee
25 did not keep minutes and did not meet often, it looked like

1 the Board was not interested in the insurance activities as a
2 part of its business production.

3 So I think from our standpoint, the staff really
4 thinks it is in the best interest, particularly where our
5 mortgage insurance firm is going, to get rid of this. It has
6 done nothing but, essentially, be a device as opposed to one
7 that is productive or useful for the organization. I think
8 that its time has come.

9 MR. SHINE: So moved.

10 MS. HAWKINS: Mr. Chairman, I would like to add one
11 comment. It seemed at that time, based on Standard & Poor's,
12 that based on good principles, the parent, whom the insurance
13 company was writing the insurance for, it was not prudent
14 insurance policy to have them control the person who is
15 running the insurance. And that was the thought at that time
16 and that's what they thought. So then this gave independence
17 to that affiliate. And they recommended that it should have
18 that independence at that time. So now they don't think so
19 anymore and so there is no need for it. And we are writing
20 insurance for others, not just the parent.

21 CHAIRMAN WALLACE: Are you putting that in the form
22 of a motion?

23 MS. HAWKINS: Just clarification.

24 CHAIRMAN WALLACE: Well, what else do you put it
25 into?

1 MS. HAWKINS: Okay.

2 MR. SHINE: I would like to move approval of the
3 resolution.

4 MS. NEVIS: Second.

5 CHAIRMAN WALLACE: And second, Judy.

6 MR. SHINE: There we are again.

7 CHAIRMAN WALLACE: Jack. You guys make a terrific
8 team when I need you. Any questions from the Board? Any
9 further question on the motion from the Board or the
10 audience? Hearing and seeing none, Secretary, please call
11 the roll.

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

13 MS. PETERSON: Aye.

14 MS. OJIMA: Mr. Bayuk?

15 MR. BAYUK: Aye.

16 MS. OJIMA: Ms. Nevis?

17 MS. NEVIS: Aye.

18 MS. OJIMA: Ms. Neal?

19 MS. NEAL: Aye.

20 MS. OJIMA: Mr. Czucker

21 MR. CZUKER: Aye.

22 MS. OJIMA: Ms. Hawkins?

23 MS. HAWKINS: Aye.

24 MS. OJIMA: Mr. Klein?

25 MR. KLEIN: Aye.

1 MS. OJIMA: Mr. Shine?

2 MR. SHINE: Aye.

3 MS. OJIMA: Mr. Wallace?

4 CHAIRMAN WALLACE: Aye.

5 MS. OJIMA: Resolution **02-25** has been approved.

6 CHAIRMAN WALLACE: Resolution **02-25** hereby
7 approved. Let's move on then to Item **8**, new branding
8 campaign. Dick, you are going to kick that off for us. Dick
9 LaVergne. Again, I have discount coupons for the parking
10 lot. JoJo does.

11 MR. SHINE: Can I ask a question about that,
12 Mr. Chairman?

13 CHAIRMAN WALLACE: Yes.

14 MR. SHINE: In our minutes, it says it is **\$7.50** a
15 car and 10 percent tax, and here it says, pay **\$8.25** cents.

16 MR. CZUKER: Because if you add the 10 percent to
17 that number, you come to that number.

18 MR. SHINE: So is there any difference?

19 MR. CZUKER: No.

20 MR. KLEIN: Doesn't it say *paid* on that?

21 MR. SHINE: Has it been paid?

22 MR. KLEIN: Are these paid?

23 MS. OJIMA: I think they are at a discount.

24 MS. HAWKINS: When you go out, you only pay \$6.

25 That's what I pay to go out. But they said I don't have to

1 pay again if I can show --

2 (Several people spoke at once.)

3 CHAIRMAN WALLACE: If it doesn't work, just drive
4 right through the gate. You poor guys have been suffering
5 through this, we apologize. Please take it seriously.

6 **CHEFA BRANDING CAMPAIGN UPDATE**

7 MR. LaVERGNE: Mr. Chairman and Members. At the
8 **last** meeting, Dawn Hulbert, the Agency's Marketing Manager,
9 advised the Board in a briefing on our brand new
10 communication campaign. Since that time, Dawn has left the
11 Agency for the private sector, but the Agency and staff, with
12 the assistance of Porter Novelli, have continued on that
13 effort. I enjoyed filling in as interim Marketing Director;
14 this was my third tour in that role.

15 But it is also with great pleasure that I introduce
16 to you Ken Giebel, who is four days on the job and is the new
17 Marketing Director for the Agency and comes to the Agency
18 with a significant amount of product placement and marketing
19 experience in the public and private sector. So I know that
20 Ken will work with -- he will be working a lot in the future
21 in the direction of focusing the Agency's efforts in the
22 marketing area.

23 While I am at it, I would also like to recognize
24 Sandy Sarber who is our Information Officer. She has also
25 helped us keep on track on this effort for the last few

1 months so that we will conclude it in **time with** the Agency's
2 presentation of its Annual Report. Now, it is also my
3 pleasure to introduce to you Steve Swatt and Teala Schaff
4 from Porter Novelli, and they will provide you with the
5 progress that we have made on our campaign and branding
6 effort.

7 MR. SWATT: Thank you. It is a pleasure to be
8 here. I would like to give you, just very briefly, a brief
9 update of our communications campaign. Where it stands today
10 and what we have gone through. We really started in April of
11 this year. I think we have accomplished quite a great deal
12 so far through the summer.

13 First of all, to recap very briefly. We did a
14 significant public opinion outreach campaign to find out what
15 the public and what key stakeholders think of the Agency. We
16 interviewed 40 stakeholders; we did six focus groups
17 throughout the State of California. Generally, what we found
18 in terms of the public, there was almost complete unawareness
19 of what the Agency does - where it fits into the housing
20 industry, what programs it offers. But we also found that
21 once we mentioned to these individuals, to these people, the
22 various programs that the Agency does participate in, they
23 were overwhelmingly positive. There was some surprise,
24 however, that the Agency is not more visible and that
25 certainly is what we are all about.

1 Turning to our public relations objectives. We
2 want to, certainly, create a stronger, more cohesive brand
3 identity for the Agency; to define the Agency's role in the
4 complex housing industry; establish regular communication to
5 educate target audiences on a wide variety of issues that
6 affect them and certainly affect you. What we did is once we
7 created these objectives, we developed a strategy, and we put
8 together a strategic and then a tactical infrastructure to
9 try to realize these goals and to meet these objectives.
10 Then we have made a series of recommendations.

11 The recommendations fall into two broad categories.
12 One is message consistency and the other one is Agency
13 awareness. Key message development and consistency are
14 extremely important. As I am sure you know, each one of us
15 receives several thousand messages from different media every
16 day. The big question is, how do you break through the
17 clutter to become a message on behalf of the Agency that is
18 understood and retained? One way you do that is with
19 consistent messages. So we feel very strongly that
20 consistent messages throughout the different divisions and
21 different parts of the Agency are extremely important. For
22 example, those working on the HELP program should be
23 basically saying the same general messages as those who work
24 on the Extra Credit Teacher Program, and those who work in
25 the multifamily division and so on. We believe that is

1 extremely important.

2 Outreach to key target groups will be important.
3 To try to get our message out as to what the Agency is all
4 about and what the programs are all about. We want to raise
5 the Agency's media profile. One of the ways we want to do
6 that is to have it become a resource to reporters. Everyday,
7 on a daily basis, there are something like four to eight
8 different stories on affordable housing throughout the State
9 of California. CHFA should be part of those stories. So we
10 want to make the Agency a resource for reporters so reporters
11 know they can call the Agency to get answers to questions on
12 housing issues.

13 We want to bolster your on-line presence and we
14 want to embark on an aggressive branding effort. Now,
15 turning to that branding effort very briefly, you have been
16 in business now for almost **30** years. However, according to
17 your research, we have found that it is generally, in the
18 public eye, unclear as to what your mission is and what your
19 programs are. Therefore, our focus is to focus on awareness
20 and also a new branding helps to get this message out.

21 We are creating an updated, more refined look for
22 the Agency, which is re-branding the existing acronym, the
23 CHFA acronym, with a new tag line and/or benefit statement,
24 which we know will help get out the word as to exactly what
25 the Agency is all about. Consistency of message and image,

1 again, across all divisions within the Agency; and messages.
2 We want messages for individual programs to support,
3 strengthen and complement the identity of the Agency as a
4 whole. And one of the other things, generally, in terms of
5 the corporate ID, the new corporate ID branding, is that we
6 want to present an Agency that is progressive, that is
7 forward thinking and that is solution oriented. That is sort
8 of at the heart of our branding effort.

9 Key milestones over the past two months, and we
10 believe we have had several. One, we have re-branded the
11 acronym from CHFA to CalHFA. Again, this was based on
12 significant research from focus groups so we feel very
13 comfortable making that move. We have a new logo and tag
14 line benefit statement, which has been tested, it has been
15 refined. It has been tested again and refined again. There
16 are extensive materials that are being developed; we have
17 completed a web site audit; we have developed a new business
18 package and collateral materials.

19 Now, in terms of what is next, the collateral
20 materials and the business package/business materials will be
21 finalized in about a month. We have already got a pretty
22 good head start on that but those will be ready in about a
23 month. We will also be developing an internal Q&A for you
24 and for other staff members on the branding effort so that
25 when people ask, why did you change your logo, or why are you

1 now called CalHFA, you will have some pretty solid answers as
2 to why those are happening.

3 We are planning a roll-out of this entire campaign
4 in November. That will be our initial roll-out. We will
5 coincide with the Annual Report for this. We also want to
6 become a little more strategic in terms of your trade show
7 presence, and we anticipate an earned media effort which
8 would include such things as, perhaps, opinion editorials,
9 editorial outreach, a radio tour. All sorts of tactical ways
10 to get out the word about what the Agency is all about.

11 Now, there you are. There is your new logo and the
12 new tag-line benefits statement. CalHFA, affordable housing
13 is our business.

14 CHAIRMAN WALLACE: Since I have been around, Steve,
15 everybody has known us as CHFA. Now, I am going to tell you,
16 probably most people, just as your study indicated, don't
17 know what that means but they call us CHFA. We call
18 ourselves, CHFA. It is a pretty good departure. Which those
19 of us who are insiders would say, is probably more
20 representative. But how do you get from A to Z?

21 MR. SWATT: Repetition. Make sure you don't call
22 yourself CHFA anymore.

23 CHAIRMAN WALLACE: That is going to be impossible.

24 MR. SWATT: It is going to take time. Certainly,
25 it will take time. All branding efforts do take time. But

1 it is that repetition, as often as possible. Not only
2 amongst you, but amongst the staff, but also amongst the news
3 media that start writing stories about some of the Agency's
4 programs where it will finally kick in. I can just tell you
5 from sitting through some focus groups that people never
6 heard of you. And they don't know what CHFA stands for. And
7 if they put CHFA into the search engine, they come up with
8 Colorado Housing.

9 CHAIRMAN WALLACE: No kidding?

10 MR. SWATT: Um-hmm.

11 CHAIRMAN WALLACE: Maybe that's a good idea.

12 MR. LaVERGNE: Or Connecticut.

13 MR. SWATT: Or Connecticut.

14 CHAIRMAN WALLACE: *Yes*, Dick.

15 MR. LaVERGNE: Another way that will help roll this
16 out, in the imprinting, not only the Agency's logo but what
17 it is we do and why we do it, is beginning with the Annual
18 Report. When you see the Annual Report, there will be a
19 reference to the transition from CHFA to CalHFA. That the
20 Annual Report itself will refer solely to CalHFA.

21 The collateral materials that we are putting out,
22 all of the brochures are being redesigned. Those will all be
23 ready by November 1. Our memo headlines will all be revised.
24 Those will also be ready. Press releases, articles. All of
25 the marketing material we put out will include this CalHFA,

1 Affordable Housing Is Our Business. We also have number of
2 trade shows and events coming up in which this will be
3 introduced.

4 You're right, Mr. Chairman, it will take a little
5 bit of time to make that transition. But it **will** be done
6 successfully and hopefully with the Agency being a little
7 better known for what it is we are trying to accomplish.

8 **MS. PETERSON:** I think this means the Board does
9 not have a vote in this; correct? This is already a fait
10 accompli.

11 **CHAIRMAN WALLACE:** Yes, I think that's so. But
12 give them constructive criticism. Go ahead.

13 **MS. PETERSON:** No.

14 **CHAIRMAN WALLACE:** You want me to talk about the
15 Treasurer's Office?

16 **MS. PETERSON:** You already did. Actually, I just
17 want to say that I have no idea whether the first **logo** has
18 been here since the beginning of time of CHFA. And as
19 somebody who was with another HFA, it is certainly true that
20 in the world at large that CHFA--I'm not sure so much
21 Connecticut, I think they may actually have a slightly
22 different name--but certainly CHFA was the Colorado Housing
23 Finance Agency as well as the California Housing Finance
24 Agency. But whoever dreamt up the H in CHFA in the logo was,
25 in my opinion, extremely clever, to have it be both a house

1 and have the state outline in it was really a clever thing.

2 Insofar as this is meant to make the Housing
3 Finance Agency better known to our users, I would certainly
4 say, that's a step forward and that's a really good thing. I
5 think it will be hard for the people who have been in
6 California for the last 25 years to stop saying CHFA, so it's
7 a good thing, like you said, to repeat it over and over
8 again.

9 I don't really want to vent, but H-F-A is
10 something. And having been involved in that world for two
11 decades or more, I can certainly say that H-F-A are letters
12 that don't mean anything to the majority of people in this
13 world. And even housing finance agency is sort of a, you
14 know. People don't quite get that. I was wondering why it
15 wasn't something even simpler and more recognizable without
16 even having to have the *Affordable* Housing Is Our Business
17 and just something that is like CalHousing. But probably you
18 guys ran through a hundred zillion different names.

19 And there would be a lot of other examples, I
20 think, that without even looking at what the subtitle is, you
21 know what it is. I am not sure that more people will know
22 what CalHFA is than have known what CHFA is. But maybe I'm
23 wrong.

24 CHAIRMAN WALLACE: Carrie.

25 MS. HAWKINS: I'm just wondering if that word

1 **affordable**, with all our NIMBY issues and all of the buzz,
2 the baggage that goes with affordable, if that is the word.
3 I think my colleague here just said, financing is really what
4 we do, we finance affordable housing. Have you given thought
5 to that? It's still **affordable**, huh?

6 MS. SCHAFF: It tested very well within all the
7 focus groups and the consumer focus groups.

8 MS. HAWKINS: Okay.

9 MS. SCHAFF: And with the stakeholders you continue
10 to work with in the affordable housing arena. That tested
11 very positive, as a positive statement within the stakeholder
12 groups that you do business with.

13 MR. LaVERGNE: I might mention that while this is
14 certainly a new look for the Agency, it is by no means the
15 goal of the branding of communication campaign we are doing.
16 We are actually going in and redoing every scrap of paper
17 that goes out to our stakeholders, to nonprofits, to our
18 customers. It is really that effort and the means by which
19 we communicate that information that is really at the core of
20 this. We thought the Board would be interested in seeing
21 what the tag line would be. Certainly on all of our
22 information it still says, California Housing Finance Agency.
23 That is in statute and we are certainly not planning on
24 changing any of that. We originally came up with TCAC but
25 somebody else had it. (Laughter).

1 MS. PETERSON: That is probably the **most** awful **one**.
2 It sounds like either a disease or the **medicine** you take to
3 cure the disease.

4 CHAIRMAN WALLACE: Ed.

5 MR. CZUKER: If we are critiquing it, and it may be
6 too late, but I do like what Jeanne said about maybe putting
7 housing under the house and having it sort of CalHousing and
8 have the F-A be **in** small or not even existing **or just a**
9 little bit. **You** know, not be the emphasis. **So that it is**
10 CalHousing that gets branded. Obviously, when you print out
11 the **full** name, it will say, California Housing Finance
12 Agency, the first two words being CalHousing. That would
13 give you a nice brand and a nice image and the image of the
14 house.

15 Below the line. Does your focus group -- You are
16 saying *affordable housing* is what is testing well. But what
17 about the idea of adding the word *financing*? Financing
18 affordable housing is our business.

19 MR. SHINE: Did anybody ever ask that question?

20 MR. SWATT: We asked all those questions **in** the
21 focus groups.

22 MR. SHINE: **And** they didn't like financing housing?

23 MR. SWATT: I think there was a feeling that
24 perhaps it was too limiting. I can guarantee you, the word
25 *affordable* ranked way up there. Everybody wanted to see that

1 in there.

2 MR. CZUKER: And financing was way down?

3 MR. SWATT: No, it wasn't way down, necessarily,
4 but *affordable* stood out. It clearly was what they wanted.

5 MR. CZUKER: And since HFA doesn't ring to the
6 public, would CalHousing ring more with the public as being
7 more identifiable?

8 MR. SWATT: Yes. I mean, it is very identifiable.
9 All I recall from our focus groups --

10 MR. CZUKER: It may be too late, and this is
11 academic but we are just brainstorming.

12 MR. SWATT: We tested ten or so different logos and
13 different tag lines.

14 MR. CZUKER: I like what you said, I thought it was
15 a great idea. It may be too late, though.

16 MS. PARKER: Steve, let me ask a question. I think
17 one of the things -- we have gone through this and had these
18 similar questions. What I have seen over a period of time is
19 the evolution of the pension funds that became CalPERS and
20 CalSTRS. They were not always that, they did not start out
21 that way. And the one thing I thought about this was a lot
22 of people in the focus groups did not necessarily know that
23 CHFA was a state entity, a state governmental entity. And to
24 the extent that we follow in this track of CalPERS, CalSTRS,
25 CalEPA, CalHFA, that people would understand that we are a

1 state entity. And then with the tag line would that --

2 MR. SWATT: That is a very [indiscernible] point.
3 First of all, they did not know what CHFA was at all, okay.
4 Everybody agrees with that. When they were told that it, in
5 fact, was a state agency, that created a great deal of
6 interest because it was the feeling that there is the backing
7 of the state. So that is why that was important.

8 MS. NEVIS: We have had those same experiences out
9 in the world, and just by the phone calls we get. We still
10 get the phone calls that are, you mean you're not HUD. No.
11 That goes on everyday, day after day. Just the thought that
12 there are state agencies in this business seems to be real
13 tough for the public to deal with.

14 MR. SWATT: But that works as a benefit. That
15 works as a benefit, at least with the people we talked to.

16 MS. NEVIS: Um-hmm.

17 MR. SWATT: They liked that.

18 MS. NEVIS: They like that there is a state agency,
19 they are just not aware.

20 MR. SWATT: Yes.

21 CHAIRMAN WALLACE: I think it is a real tough
22 assignment you guys have taken on. I don't care what you
23 call us. We are not going to be the Kleenex of the housing
24 industry. So to me, therefore, I think -- and Dick ran this
25 by me a month ago or so when I happened to be in the office

1 up there. When you all see the letterhead and the cards and
2 etcetera reinforced, I think it is a noble attempt and we
3 have got to go there and try it. But I almost defy us to
4 name anything that is going to be a household word just by
5 the nature of who we are, what we do, etcetera, etcetera.
6 CHFA has been around for **27** years and it has been called
7 CHFA. But I think in the circles in which we -- what is
8 going on?

9 MS. PARKER: **JoJo**, why don't you pass out those.

10 CHAIRMAN WALLACE: In the circles in which we do
11 business we probably have, as CHFA or CalHFA, which is
12 probably a little better explanation of who we are. **And I**
13 think the tag line, probably you're right, affordable
14 housing. You get in some of these seminars and they will
15 tear that word **affordable**. What does affordable mean? It's
16 ugly. The debate is not resolvable. But I think we have got
17 a go here. Try it and see. And 25 years from now when our
18 successors are here, they will do something different.

19 MR. SWATT: **All** I can say, sir, is your target
20 audience likes this.

21 CHAIRMAN WALLACE: Yes. And I think that's good
22 enough for me. They probably like it a heck of a lot better
23 than CHFA. We are just used to CHFA. But I am not going to
24 stand in your way. You guys are the experts. You did the
25 right things, you did the research. You don't call on me for

1 expert in development.

2 MS. HAWKINS: I would like to echo. I do think
3 that *Affordable Housing Is Our Business* is a very warm and
4 caring sound.

5 MS. SCHAFF: It's very nice.

6 MS. HAWKINS: I like the sound of that. I was only
7 saying the affordable, as Clark just said, for the ones who
8 are ready, have their housing; that's the obstacle we always
9 have to overcome. And I like that you have Cal. I do like
10 the idea of it. Even though it is going to be difficult to
11 get accustomed to it after all these years. But CalVET, Cal,
12 you know. There is a precedent for that too.

13 MR. LaVERGNE: I think it sends the right message
14 to who our primary clients are, and that is, first-time home
15 buyers knowing the intent of the program and what they can
16 expect is affordable. Then also, of course, the multifamily
17 rental housing finance projects that you worked on today. It
18 gives them the message that that's our business, that's what
19 we are here for, and that's what we are here to provide you
20 with.

21 CHAIRMAN WALLACE: I'm all for you. Charge. Any
22 other questions? Toni.

23 MS. SYMONDS: I am just going to echo. I think
24 your tag line, *Affordable Housing Is Our Business*, is very
25 powerful. What kind of business? Our piece of business is

1 affordable housing. It's very powerful; I love it.

2 MS. PARKER: Mr. Chairman.

3 CHAIRMAN WALLACE: Having said that, I would have
4 said, affordable housing lending or something like that.

5 Because that is really our business.

6 MR. LaVERGNE: That was tested too.

7 MR. SHINE: We finance affordable housing.

8 CHAIRMAN WALLACE: It didn't fly.

9 MR. SWATT: Well, it flew but only on one wing.

10 CHAIRMAN WALLACE: Well, I have been grounded
11 before. Terri.

12 MS. PARKER: Mr. Chairman, I think, again, we have
13 talked about trying to increase the outside perceptions of
14 the Agency, and we obviously brought to you as part of the
15 Business Plan this year that one of the four cornerstones
16 that we needed to do along with staffing and resources and
17 systems and space was to really deal with marketing. I think
18 Dawn and with the work of Dick and with Ken picking up the
19 torch, having Porter Novelli help us as a partner, we have
20 really gone to them and relied on their expertise--we have
21 not considered ourselves marketers--to help us, essentially,
22 come up in world, in the perception of our world so that we
23 can do a better job.

24 It is not, in many respects, that we have not done
25 the dollar amounts of our business plans as we have had in

1 the past, but it is really about whether or not the Agency is
2 perceived as best it really can, particularly in the housing
3 market we have in California. So we even among ourselves
4 have shouted about this but we tried to essentially say, we
5 are not the experts. That is why we hired a firm that has a
6 tremendous reputation.

7 MR. GIEBEL: I'll just make one comment since I
8 feel like I really should. I have been involved in lots of
9 these changes, not only of logo styles and the putting
10 benefit statements. That has come in the last 15 years,
11 putting your logo out and then saying what you mean.
12 Everyone does it now. But the important part is what you get
13 it to mean moving forward. Through all the collateral
14 materials, how you approach the press, how you approach your
15 target audiences.

16 Because then CalHouse, which that really says, both
17 picture-wise and the most number of words, and then defines
18 affordable housing, is what makes the program work. And how
19 fast you can get from CHFA to CalHFA, that's the key and
20 that's what we will be working on next, to get that going.
21 Because you will be surprised how fast, if it is done well,
22 that people will go, I know who they are and I know who they
23 were. That's marketing's responsibility.

24 CHAIRMAN WALLACE: That's why you are here, Ken.

25 MR. GIEBEL: I know.

1 CHAIRMAN WALLACE: You're making me feel better.

2 Good.

3 MS. NEVIS: I think having the affordable word out
4 there --

5 CHAIRMAN WALLACE: That's good.

6 MS. NEVIS: Because the Agency I think has not been
7 recognized for the degree of affordability that we provide.
8 It's just not fair, so I think this is good.

9 CHAIRMAN WALLACE: Go for it. Well done, thank you
10 very much.

11 **OTHER BOARD MATTERS**

12 Okay, Item 9 on the agenda is any other non-
13 agendized items that the Board has to put forth. Anything we
14 missed? God help us. Of course not.

15 **PUBLIC TESTIMONY**

16 Any members of the public that have suffered
17 through the day that want to give something under Item 10
18 that we haven't already discussed? Okay. I hear and see
19 none on either of those two items, and so we will adjourn
20 until November 14 at the Westin in Millbrae, at which case we
21 will clean up what we have dealt here today. Thank you. You
22 are --

23 MR. KLEIN: Mr. Chairman.

24 CHAIRMAN WALLACE: Yes.

25 MR. KLEIN: One question. Did you get a chance for

1 anyone to tell us about the pending bill for exemption of
2 prevailing wage?

3 CHAIRMAN WALLACE: From which?

4 MR. KLEIN: Prevailing wage exemption.

5 CHAIRMAN WALLACE: Hold it just a second. Di, can
6 you give us a moment of truth about the prevailing wage bill
7 exemption? It is the last item on your leg report here,
8 SB 972.

9 MS. RICHARDSON: Sure. SB 972 has passed the
10 Legislature; it is currently on the Governor's **desk** pending
11 action. That bill contains the exemption for self-help
12 housing, limited rehab for emergency shelters and single-
13 family rehab that we had talked about previously. It also
14 contains an exemption for below-market rate loans. There
15 was, as you know, a lot of discussion up until the very last
16 second about what that final language was going to look like
17 and if it was going to include the phrase, with or without
18 tax credits. It does not contain that phrase; it simply
19 says, below-market rate loans.

20 We are continuing to have some discussions with the
21 Governor's Office and the sponsors and the people that are
22 interested in prevailing wage, and they know that that
23 continues to be a concern for us. We continue to hold out
24 some hope that we might be able to make some more headway on
25 that, but for now that's where it is.

1 MR. KLEIN: Does this mean 9 percent credit
2 projects are not getting exemption under the current
3 language?

4 MS. RICHARDSON: Well, there was -- there is an
5 exemption. There was a two-year exemption when 975 was
6 passed.

7 MR. KLEIN: Right.

8 MS. RICHARDSON: So that has one more year to run.

9 MR. KLEIN: Right.

10 MS. RICHARDSON: So those projects still have an
11 exemption through the end of next year.

12 MR. KLEIN: Right. But when you said, with or
13 without tax credits. If a project has a below-market rate
14 loan, tax-exempt bond loan, and it has 4 percent credits, it
15 is still exempt?

16 MS. RICHARDSON: For one more year. And then after
17 that, the tax credits will trigger prevailing wage.

18 MR. KLEIN: The tax credits themselves will trigger
19 it?

20 MS. RICHARDSON: Correct.

21 MR. CZUKER: Even if a below-market rate loan goes
22 with it?

23 MS. RICHARDSON: Correct.

24 MS. PETERSON: Or the tax-exempt bond financing.
25 Basically, what happened is last year this bill, 975, that

1 passed gave this two-year window --

2 MR. KLEIN: Right.

3 MS. PETERSON: -- to the end of the December of
4 next year for 9 percent deals or 4 percent tax-exempt bond
5 deals. This 972, if it's signed, really -- really, it will
6 be interesting to see how it is interpreted. But basically,
7 at this point it would appear that the exemption will expire
8 at the end of next year for both tax-exempt bond and 9
9 percent deals unless there is further action beyond the bill
10 that is currently awaiting signature.

11 MR. SHINE: You had to go to the original author,
12 which was Alarcón, to have another bill drafted because Jim
13 Costa wouldn't touch that.

14 MS. PETERSON: All it basically did, this bill, it
15 would appear that it really took care of these three little
16 things and not the big elephant that is still out there.

17 MR. KLEIN: I understand.

18 CHAIRMAN WALLACE: Okay, and thank you, Di.

19 MS. RICHARDSON: I think I -- just since I'm here.

20 CHAIRMAN WALLACE: Yes.

21 MS. RICHARDSON: I also want to point out there was
22 a last-minute agreement on the construction defect
23 legislation.

24 CHAIRMAN WALLACE: Historic.

25 MS. RICHARDSON: Which is very major and that is

1 also included in my report.

2 MR. SHINE: The fix-it bill?

3 CHAIRMAN WALLACE: That's the first one on the
4 report.

5 MR. SHINE: The fix-it bill?

6 MS. RICHARDSON: The fix-it. The right to repair
7 for builders.

8 CHAIRMAN WALLACE: It isn't going to solve all the
9 problems.

10 MS. RICHARDSON: It's a major step.

11 CHAIRMAN WALLACE: But historic in the sense that
12 CBIA and the --

13 MR. SHINE: And the lawyers.

14 CHAIRMAN WALLACE: -- and the CAOC got together and
15 did something.

16 MS. RICHARDSON: Correct.

17 MS. PARKER: Thank you all very, very much for
18 coming.

19 CHAIRMAN WALLACE: Thank you, guys. You guys did
20 great work.

21 (Thereupon the meeting was
22 adjourned at 2:45 p.m.)

23 --000--

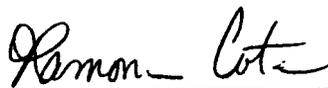
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2 DECLARATION OF TRANSCRIBER
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5 hereby declare and certify, under penalty of perjury, that I
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7 total of pages 1 through 152, and which recording was duly
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9 of Directors Public Meeting of the California Housing Finance
10 Agency on the 12th day of September, 2002, and that the
11 foregoing pages constitute a true, complete and accurate
12 transcript of the aforementioned tapes, to the best of my
13 ability.

14 Dated this 3rd day of October, 2002, at Sacramento
15 County, California.

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment Mandela Gateway Apartments CalHFA Loan #02-042-N

SUMMARY:

This is a Final Commitment request for a taxable, first mortgage loan in the amount of \$2,000,000, a Section 8 Increment loan of \$1,900,000, and a FAF loan in the amount of \$900,000. Security for all three loans will be a newly constructed, 168 unit family apartment community owned by Mandela Gateway Associates, a limited partnership with an affiliate of BRIDGE Housing Corporation as the general partner. The project will be located on two blocks between Seventh and Eighth Streets with Mandela Parkway between the two parcels in West Oakland, California.

LOAN TERMS:

First Mortgage Amount	\$2,000,000
Interest Rate:	6.5%
Term:	15 year fixed, fully amortized
Financing:	Taxable
Section 8 Increment Loan	\$1,900,000, (or \$0 if no Section 8 Contract)
Interest Rate:	6.5%
Term:	10 year fixed, fully amortized
Financing:	Taxable
FAF Loan	\$900,000, (up to a maximum of \$1,200,000)
Interest Rate:	3%
Term:	30 (or 55) years, simple interest
Financing:	Taxable

As of October 31, 2002, BRIDGE has not received final approval of the Section 8 contract. This analysis is underwritten assuming approval of the Section 8 contract. The repayment of the FAF funds will be from 30% of residual receipts if there is a Section 8 loan. In addition, the CalHFA FAF loan will be the first to be reduced if there are any development savings during construction, due to either reduced costs or a to larger than expected equity contribution, in either scenario.

If the Section 8 contract is not approved by HUD, then CalHFA will not make the Section 8 Increment Loan of \$1,900,000. The Oakland Housing Authority will back-stop \$1,600,000 of these funds, and the CalHFA FAF loan will need to increase by \$300,000. The repayment of the FAF funds will be from 40% of residual receipts. In addition, if there is no Section 8 loan the term of the FAF loan will be increased to 55 years.

LOCALITY INVOLVEMENT:

The Oakland Housing Authority, (OHA), will own fee title to the land and improvements. A Ground Lease will be executed between OHA and the partnership, such that the partnership will own a leasehold interest in the improvements. The Ground Lease is not yet finalized, but is expected that the term will be between 55 and **80** years, and that payments from the partnership to OHA, (if any), will be on a residual receipts basis. OHA is providing separate financing for the acquisition of the Mandela site, the development of its commercial space, and developing replacement CalTrans parking, in addition to funds in the amount of \$550,000 for the residential portion of the Mandela Gateway project.

The property will have secondary financing from the City of Oakland's Redevelopment Agency in the amount of \$2,500,000. In addition, the City will provide HOME funds to the project in the amount of \$1,000,000. 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.

OTHER INVOLVEMENT:

HUD is providing a HOPE VI loan to the project in the amount of **\$3,260,000**. In exchange for these funds, HUD will require the recordation of a Regulatory and Operating Agreement on the fee interest, which will restrict **46** units as Public Housing Assisted Units. CalHFA's Regulatory Agreement will also be placed on the fee interest, but its Deeds of Trust will be placed on the leasehold interest and will be subject to the HUD Regulatory and Operating Agreement.

The HUD Regulatory and Operating Agreement specifies that operating assistance will be available to subsidize the operation of the public housing units subject to the terms of the Annual Contribution Contract, (ACC). The ACC contract is between HUD and OHA. The Public Housing Units will receive a total of **\$385** per unit per month, in a combination of subsidy payments from OHA to the partnership and tenant rents. The average income of public housing tenants in Oakland is 17% of Area Median Income.

It is expected that the project will receive a ten-year Section **8** contract from HUD, for **30** units. This subsidy, which is in addition to the tenant rents received for those **30** units, is being used to support CalHFA's Section **8** Increment loan. The loan term matches the expected term of the Section **8** contract. The cashflow shows the Section **8** ending in year 11, which is a worst case scenario based on the contract term only. It is very probable that the Section **8** subsidy will continue past year 10 in either the form of an extended project based contract, or vouchers. In that scenario CalHFA would not need to utilize the long term operating expense reserve that has been set aside in the event the Section **8** contract is not extended. In addition, in the event the Section **8** contract is extended there will be funds available to pay down the FAF loan.

PROJECT DESCRIPTION:

A. Site Design

The Mandela Gateway site is across the street from the West Oakland BART station, and is planned to be a gateway from the BART station to the surrounding neighborhood that was damaged by the Loma Prieta earthquake of 1989, when sections of the Cypress Freeway collapsed. Reconstruction of the relocated 1-880 freeway created a number of new development opportunities outlined in the recent Transit Village Action Report commissioned by the City of Oakland, the San Francisco Bay Area Rapid Transit District, and the OHA. The Transit Village Action Report recommended the development a mixed-use, mixed-income development of the key parcels surrounding the BART station, including the Mandela Gateway site.

The Mandela Gateway project includes the replacement of the 46 public housing units currently on the site and the construction of an additional 122 units of rental housing. All former residents of the 46-unit Westwood Gardens public housing development have already been relocated by OHA, and former residents will have the first right to occupy the 46 new public housing units.

The project will be developed on two contiguous sites between Seventh and Eighth Streets. The west parcel is approximately 1.77 acres and is located between Center Street and Mandela Parkway. This block will be accessed via a shared driveway with for-sale townhomes (also developed by BRIDGE) located behind the Mandela Gateway site adjacent to Eighth Street. The east parcel is approximately 2.85 acres and is located between Mandela Parkway and Union Street. It ends mid-block between Mandela Parkway and Union Street, to the east of where Kirkham Street would be if it went through to Eighth Street.

B. Project Description

The proposed buildings will be four stories on Seventh Street and will step down to lower townhouses and flats that match the residential character and scale of the buildings across from Eighth Street. The podium for each block will be ringed with wood framed flats and townhouses up to four stories to the south, and the east block will contain additional freestanding three-story apartment buildings in the center of the podium. There will be a total of six buildings, with five on the east block and one on the west block. There is one elevator in each block, serving the ground floor to the lower podium level. The buildings will have stucco siding and a combination of flat and pitched composition shingle roofs. The parking level under the east block podium will provide a total of 82 spaces accessed from an entrance on Seventh Street, with 42 additional open spaces. The parking level under the west block podium will provide a total of 57 spaces accessed from an entrance on a private drive entering from and exiting onto Mandela Parkway.

The design incorporates a range of features to meet the needs of the development's targeted populations: semi-public plazas to mark the entrance to the development and the neighborhood, a 10,300 square foot outdoor town square, two outdoor play spaces for children, a basket ball area, 181 resident parking spaces, six management and maintenance offices, two large laundry rooms, community space for residents including a 1,375 square foot community room, and a computer room with six to ten workstations for educational classes and after school programs. The

development will be fenced and gated, and will have security guards on duty 16 hours per day Monday through Friday, with 24 hour coverage on the weekends.

The project will also have two ground floor retail spaces totaling approximately 8,000 square feet along Seventh Street, which are to be owned by the Mandela Gateway residential partnership, but will be financed separately. In addition, there will be a two-story drugstore space of approximately 12,400 square feet located on the corner of Seventh and Center Street. The drugstore will have a separate parking lot for 58 cars and a loading dock. This drugstore space and the Mandela Gateway residential development (which includes the 8,000 square feet of retail space) will occupy legally distinct air rights and ground parcels, will have separate ownership entities, and will have separate sources of financing.

Of the 168 new dwelling units, 46 will be public housing replacement units. There will be a total of 36 one-bedroom units, 80 two-bedroom units, 42 three-bedroom units, and 10 four-bedroom units. The one-bedroom units will have one bath, and will be flats of 674 square feet. The two-bedroom units will have one or two baths, and will be a combination of flats and townhomes, of between 968 and 1,032 square feet, with four different unit styles. The three-bedroom units will have two baths, and will be a combination of flats and townhomes, of between 1,161 and 1,276 square feet, with four different unit styles. The four-bedroom units will have two baths, and will be townhomes of 1,458 square feet.

Most units will have either a patio or balcony. Interior finishes will include carpeted flooring in all the living areas, vinyl flooring in the kitchens, bathrooms and most entryways. All windows will be covered with blinds, including patio doors where applicable. The all electric kitchens will feature range/oven combinations, dishwashers and disposals with laminate countertop finish. Heat will be provided to units from electric wall heaters, and all units will have a washer and dryer hook-up. Each unit will be individually metered for electricity.

C. Project Location

Located across the street from the West Oakland BART station, the site is one mile from downtown Oakland and less than one and a half miles from Jack London Square. The City of Emeryville is one mile north, and the City of San Francisco is six miles to the west.

The current uses of the Mandela Gateway site include vacant distressed public housing to be demolished, a truck repair facility, and surface parking. Surrounding parcels include the West Oakland BART station, a small retail center, a church, single family homes, Peralta Villas public housing, an armored car facility, and surface parking for commuters.

Neighborhood services and amenities within a half-mile of the project site include childcare services, five public parks, four grocery stores, a shopping center, three public elementary and middle schools, and the West Oakland Health Center. The McClymonds High School is one and a half miles from the site. The West Oakland Senior Center is also close by. Due to the proximity of the site to the West Oakland Bart station, multiple forms of public transportation are available within 500 feet of the development.

MARKET:**A. Market Overview**

The market area for the project has been defined as the City of Oakland in the market study completed by BAE dated July 2002. This market area encompasses 56 square miles and had a current estimated population of approximately 402,000 in 2001. The subject is in West Oakland, in the southwest portion of the City of Oakland, immediately adjacent to the downtown area. During the past decade, West Oakland showed modest population growth, increasing by **5%** from 23,397 persons in 1990 to 24,477 in 2000. The City of Oakland's population increased by 7% during this same period.

The City of Oakland had an estimated 304,900 jobs in 2001. The largest employers in the Oakland market area are the County of Alameda, the Oakland Unified School District, the City of Oakland, Kaiser Permanente, BART, Summit Medical Center, United and Southwest Airlines, Federal Express and the East Bay Municipal Utility District. The average annual unemployment rate in Alameda County was 4.5% in 2001, however, the most recent numbers, (as of May 2002), show an unemployment rate of 6%. The average unemployment rate in Oakland was 7.1% in 2001, and 9.4% as of May 2002.

B. Market Demand

According to U.S. Census data there were 8,403 households in West Oakland and 150,790 households in the City of Oakland in 2000. In 2004, the year that Mandela is expected to be complete, the number of households in West Oakland is projected to increase to 9,232, and the number of households in the City of Oakland is projected to increase to 154,030. The percentage of renter households by the number of persons per unit is as follows for West Oakland: one person households 33.3%, two person households 21.9%, three person households 16.0%, four person households 12.6%, and five plus person households at 16.2%.

U.S. Census data show that 79.2% of West Oakland households were renter-occupied in 2000, compared to 58.6% of renter-occupied housing the City of Oakland. West Oakland's average household size increased from 2.67 persons to 2.81 persons between 1990 and 2000, while average household size increased from 2.52 persons to 2.60 persons in the City of Oakland during the same time period. Median 2001 household income estimates in the City were \$41,782, compared to \$20,418 in West Oakland.

Data from RealFacts show the average occupancy rate in Oakland was 99.0% in 1999, 99.3% in 2000, and 99.8% in 2001. As of March 2002 the occupancy rate in the Oakland was 92.9%. In addition, there are currently approximately 1,600 families on the Section 8 wait list, and 500 on the public housing wait list in Oakland. These numbers do not reflect actual need however. The Housing Authority utilizes a lottery to ensure all applicants have an equal shot at wait list selection and also to limit the size of the wait list so that it is not 10 or more years long. The Section 8 wait list was last opened about one and a half years ago, and approximately 13,000 families applied. Of these, only 5,000 families were placed on the wait list. The numbers are similar for public housing, although many families attempt to be placed on both wait lists.

C. Housing Supply

The West Oakland neighborhood is best characterized as being urban commercial with secondary residential uses. Most of the residential uses are multi-family apartments and condominium projects, with a large variance in age from over 85 years and older, to much newer buildings, less than ten years old. Most are two to four stories tall, with commercial and retail on the ground floor, similar to the proposed Mandela improvements. Much of West Oakland’s single family housing stock was built in the late 19th and early 20th centuries or during World War II, and was occupied by people who were employed in the area’s surrounding businesses. Approximately 70% of the single family homes in the neighborhood are valued between \$100,000 and \$300,000, and roughly 45% of the homes were built prior to 1949. West Oakland land uses are approximately 20% single family, 15% condominiums, 30% apartments, 30% commercial, and 5% industrial.

Existing affordable housing supply in West Oakland includes ten developments with a total of 1,224 units. Most of these projects have closed waiting lists of over 100 households. One recently built project had over 3,100 applicants for 294 units. There are nine affordable projects planned for development in West Oakland over the next two years, including Mandela Gateway, with over 560 units. These units will span a range of income levels and will offer units from studios to five bedrooms. Due to the high occupancy rate in Oakland and the tremendous need for affordable housing, the addition of these units should not affect the occupancy level at Mandela Gateway. There are currently no market rate housing projects planned to be built in West Oakland.

OCCUPANCY RESTRICTIONS:

The occupancy restrictions described below are expected to reflect those in the final Regulatory Agreements. The percentage of units below are based on a total of 166 units, which excludes the two manager’s units from the calculation.

CalHFA: 20% of the units (34) will be restricted at 50% or less AMI

HUD: 28% of the units (46) will be restricted at 80% or less AMI

TCAC: 10% of the units (17) will be restricted at 30% or less AMI
 10% of the units (17) will be restricted at 35% or less AMI
 10% of the units (17) will be restricted at 40% or less AMI
 10% of the units (17) will be restricted at 45% or less AMI
 10% of the units (17) will be restricted at 50% or less AMI
 49% of the units (81) will be restricted at 60% or less AMI

OHA: 28% of the units (46) will be restricted at 80% or less AMI

City RDA: 28% of the units (46) will be restricted at 35% or less AMI
 72% of the units (120) will be restricted at 60% or less AMI

HOME: 28% of the units (46) will be restricted at 35% or less AMI
72% of the units (120) will be restricted at 60% or less AMI

FHLB AHP: 60% of the units (100) will be restricted at 50% or less AMI

PROJECT FEASIBILITY:

A. Estimated Lease-Up Period

The market study has estimated that the project would need to capture from 1% to 11% of the current demand from existing and new households depending on unit type and rent level. BAE estimates that these apartments would fully rent up within six months or less of opening.

B. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Rents	Market Rents	Market Rents Difference	% of Market Rents
<u>One Bedroom</u>				
45%	\$573	\$990	\$417	58%
50%	\$643		\$347	65%
60%	\$783		\$207	79%
<u>Two Bedroom</u>				
ACC	\$385	\$1,160	\$775	33%
40%	\$601		\$559	52%
45%	\$685		\$475	59%
50%	\$769		\$391	66%
60%	\$937		\$223	81%
<u>Three Bedroom</u>				
ACC	\$385	\$1,685	\$1300	23%
50%	\$880		\$805	52%
60%	\$1074		\$611	64%
<u>Four Bedroom</u>				
ACC	\$385	\$1,950	\$1565	20%

ENVIRONMENTAL:

CalHFA has reviewed the Phase I and Phase II Environmental Site Assessment for the project which was completed by Treadwell & Rollo in August 2002. The site consists of two blocks: 1) the West Block which is bound by Seventh, Center, and Eighth Streets and Mandela Parkway, and is occupied by the abandoned Westwood Garden Apartments, and 2) the East Block which is an area on the east side of Mandela Parkway bound by Seventh and Eighth Streets and is occupied by J&A Truck Repair, a CalTrans parking lot, and a portion of a parking lot owned by Armored Transport Systems.

Both blocks have soil contamination that appears to be the result of past or current activities on site. No evidence was found indicating contamination of the soil by off-site sources. To evaluate the possible impacts to soil and groundwater, Treadwell & Rollo performed a Phase II investigation, which included 14 soil borings tested in May 2002, an additional 6 soil borings tested in July 2002, and several grab groundwater samples collected from selected borings.

The West Block has been historically residential since the 1940's, however current soil sampling had found lead and pesticides in the soil at concentrations greater than levels acceptable for residential site use. Groundwater was found to be unaffected by the soil contamination, or by the known groundwater contamination beneath a former gas station to the north of the site.

The J&A Truck Repair site on the East Block has been a truck repair facility since the 1970's and may have previously contained a gas station. An underground fuel tank was removed from the sidewalk adjacent to the site in 1994. Contaminated soil was remediated on site and the Oakland Fire Department issued a case closure in 1997. Currently operations on the J&A lot include using and storing automotive hazardous materials and storage of hazardous waste prior to disposal offsite. Concentrations of contaminants in some soil samples exceed residential use standards indicating mitigative measures will be required. Groundwater results indicate no significant impacts.

The central part of the East Block is occupied by the CalTrans parking lot and was formerly the location of the elevated Cypress Section of the Nimitz Freeway. A significant portion of the soil on this site contains contaminants that exceed levels considered safe for residential use. The sources of the contaminants were probably the presence of artificial fill, the former use of the site as a highway construction/equipment yard, and the former presence of the elevated highway. Groundwater sampling performed at an earlier date by PSI indicates groundwater beneath the CalTrans lot has not been impacted by on-site activities or contaminant migration from up-gradient facilities to the north.

The northeast part of the East Block is occupied by the parking lot owned by Armored Transport Systems. This area will be incorporated into the development by a lot-line adjustment. Lead concentrations in the soil in this site are restrictive of residential use unless mitigative measures are taken. Groundwater sampling was not completed on this site.

Because of the Contamination found in the soil in both blocks, mitigative measures such as capping or off-site disposal will be required for a significant amount of soil. In addition, the soil will probably qualify as hazardous waste if excavated and disposed. Treadwell & Rollo

recommends the following in its August 2002 report: In the West Block, additional sampling should be conducted to further define the extent of the soil contamination. Also a site mitigation plans should be prepared for both the East and West Blocks to establish procedures for soil handling during and after construction that are protective of human health and the environment.

To date, additional soil sampling has been completed and the site mitigation plans are nearly complete, pending review of the civil engineer's grading plan. This report will specify what amount of soil can be capped below the podium, and what amount will need to be removed from the site. Review and approval of the final soil sampling report and the mitigation plans by CalHFA and its environmental consultant, URS, is a condition of closing.

An Archaeological Testing report was completed in October 2002 by Archeo-Tec, Inc. on the CalTrans lot due to the discovery of a prehistoric midden deposit in May 2002. The shellmound deposit was found to contain shell fragments, sand, bone, and historic period materials, dating from A.D. 610 to A.D. 1280. In addition to the prehistoric deposit, a historic period concentration of artifacts was encountered which contained a variety of commonplace domestic and industrial cultural materials from the mid-to-late nineteenth century until the 1950's. These findings are considered a significant prehistoric archaeological resource. Further archaeological testing in the form of further exploratory archaeological procedures and on-site monitoring during project construction is recommended in order to mitigate adverse impacts to these resources, and to allow the archaeological team to better evaluate the site's historical significance.

An Abatement Work Plan was completed in October 2002 by SCA Environmental, Inc. Asbestos, lead based paint, fluorescent light ballasts containing PCBs, fluorescent and mercury light bulbs, and biohazards were found, and will require removal and disposal prior to demolition of Westwood Garden Apartments.

A Geotechnical Engineering Study was completed in July 2002 by Treadwell & Rollo states that the development is feasible from a geotechnical standpoint, provided the recommendations presented in the report are incorporated into the project plans and specifications.

Lastly, a seismic risk evaluation and NEPA review will be ordered. A condition of the final commitment will be satisfactory review of these documents. All environmental issues for the project will be reviewed and evaluated by URS Corporation. URS will also evaluate and inspect all site remediation with final recommendations to CalHFA prior to loan funding.

ARTICLE 34:

An opinion letter from the law offices of Gubb & Barshay LLP has not yet been received. The opinion letter is subject to review and approval by CalHFA's legal department.

DEVELOPMENT TEAM:**A. Borrower's Profile**

The borrower is Mandela Gateway Associates, California limited partnership. The developer is BRIDGE Housing Corporation, (BRIDGE), founded in 1983, and the initial managing general partner is BRIDGE Housing Ventures, Inc. a BRIDGE affiliate. BRIDGE 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 19 years BRIDGE has developed over 8,400 residential units, including 1,800 homes for first-time homebuyers, in 65 developments. Several of the developments have been large scale mixed use developments, like the subject of this request, including Richmond City Center and Marin City, that provide housing and employment opportunities. Several of BRIDGE's projects, including Marin City, Hercules Senior Housing, and Chelsea Gardens I and II, were financed by CalHFA. BRIDGE has received 20 Gold Nugget Awards, the Award of Excellence from the Urban Land Institute, and the World Habitat Award in 1992 and 1995. BRIDGE has been awarded 3 major HOPE VI developments, two in West Oakland, including this project, and one in San Francisco.

B. Management Agent

The John Stewart Company, (JSC), established in 1978, will be the property manager for the project. JSC currently manages more than 200 properties with over 19,000 units of rental housing throughout California. JSC's property management portfolio is a combination of affordable projects with a growing number of mixed-use and market rate properties also. Developments managed include those serving large families, seniors, and special needs.

Please note that the operating budget for this project has been reviewed and approved by CalHFA staff. The line item comparison of the budget with **IREM** standards could not be completed in time for this analysis; however future presentations will contain a discussion of the comparison.

C. Contractor

The contractor will be James E. Roberts-Obayashi Corporation, General Contractors, (ROC). ROC is currently building Chestnut Court and Linden Court for BRIDGE, and has built five other BRIDGE projects, most in conjunction with Michael Willis Architects. ROC was established in 1932, and was incorporated in 1978. They have specialized in multi-family housing for the past 25 years, and have built approximately 5,000 units over the past 10 years.

D. Architect

Michael Willis Architects, (MWA), established in 1988, has offices in San Francisco, Oakland, and Portland, Oregon. MWA has designed sports, educational, healthcare and arts facilities, office and industrial buildings, and laboratories, in addition to apartment complexes, retail space, single family homes and churches. MWA has worked with ROC on several BRIDGE projects including Chestnut Court in West Oakland, ACORN Phase I and II rehabilitation, and Marin City Phase I and II. MWA has received the Grand Award at the 2000 Builder's Choice Awards, the 1999 Award for Excellence in Architecture, and the 1999 HUD Award for Best Practices.

Project Summary

Date: 30-Oct-02

Project Profile:

Project : Mandela Gateway
 Location: 7th and 8th St.
 West Oakland CA 94607
 County: Alameda
 Borrower: Mandela Gateway Associates
 GP: BRIDGE Housing Corp.
 LP: Related Capital
 Program: Taxable
 CalHFA #: 02-042-N

Verbal appraisal quote as of 10/30

Cap Rate: 8.50%
 Market: \$8,650,000
 Income: \$8,650,000
 Final Value: \$8,650,000

LTCLTV:
 Loan/Cost 11.2%
 Loan/Value First 23.1%
 Loan/Value First & S8 45.1%
 Loan/Value First, S8, and FAF 55.5%

Project Description:

Units 168
 Handicap Units 9
 Bldge Type New Const.
 Buildings 6
 Stones 3 & 4
 Gross Sq Ft 193,089
 Land Sq Ft 201,247
 Units/Acre 36
 Total Parking 181
 Covered Parking 139
 Uncovered Parking 42

Financing Summary:

	Amount	Per Unit	Rate	
CalHFA First Mortgage	\$2,000,000	\$11,905	6.50%	15
CalHFA S8 Increment	\$1,900,000	\$11,310	6.50%	10
CalHFA FAF Funds	\$900,000	\$5,357	3.00%	30
City of Oakland - RDA	\$2,500,000	\$14,861	3.00%	55
City of Oakland - HOME	\$1,000,000	\$5,952	3.00%	55
HUD - HOPE VI	\$3,260,000	\$19,405	3.00%	55
FHLB - AHP	\$1,000,000	\$5,952	0.00%	
Oakland Housing Authority	\$550,000	\$3,274	3.00%	55
Investor Contribution	\$29,630,000	\$176,369		

Unit Mix:

Type	ACC Units		40% AMI		45% AMI		50% AMI		60% AMI		Manager		Total
	Number	Subsidy**	Number	Rent*									
1 bedroom	0	0	0	0	8	573	15	643	13	783			36
2 bedroom	17	385	5	601	9	685	26	769	21	937	2	937	80
3 bedroom	19	385	0	0	0	0	19	880	4	1074			42
4 bedroom	10	385	0	0	0	0	0	0	0	0			10
subtotal	46		5		17		60		38		2		168

*Subsidy and rents * Net Rent

Total Units in Project 168

Type	40% AMI		45% AMI		50% AMI		Total
	Number	Subsidy*	Number	Subsidy*	Number	Subsidy*	
1 bedroom							0
2 bedroom	4	629	4	545	3	461	11
3 bedroom					19	820	19
4 bedroom							0
subtotal	4		4		22		30

*Section 8 Incremental Subsidy (in addition to rents listed above)

Total Units that have Section 8 Subsidy 30

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	1.50% of Loan Amount	\$72,000	Cash
Escrows			
Inspection fee	\$1,500 x months of construction	\$27,000	Cash
Construction Defect	2.50% of Hard Costs	\$664,488	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	\$163,111	Part of the long term reserve
Long Term Operating Expense Reserve	28.16% of Gross Income	\$459,376	Cash
Replacement Reserve	5.64% of Gross Income	\$92,000	Cash
Annual Replacement Reserve Deposit - New Construction B	\$350 perunit	\$58,800	Operations

Sources and Uses

Mandela Gateway

SOURCES:

<i>Name of Lender / Source</i>	Amount	\$ Per Unit	% of Total
CalHFA First Mortgage	2,000,000	11,905	4.7%
CalHFA S8 Increment	1,900,000	11,310	4.4%
CalHFA FAF Funds	900,000	5,357	2.1%
City of Oakland - RDA	2,500,000	14,881	5.8%
City of Oakland - HOME	1,000,000	5,952	2.3%
HUD - HOPE VI	3,260,000	19,405	7.6%
FHLB - AHP	1,000,000	5,952	2.3%
Oakland Housing Authority	550,000	3,274	1.3%
Total Institutional Financing	13,110,000	78,036	30.7%
Equity Financing			
Tax Credits	29,630,000	176,369	69.3%
Deferred Developer Equity	0	0	0.0%
Total Equity Financing	29,630,000	176,369	69.3%
TOTAL SOURCES	42,740,000	254,405	100.0%

USES:

Acquisition	366,214	2,180	0.9%
Rehabilitation	0	0	0.0%
New Construction	30,458,924	181,303	71.3%
Architectural Fees	1,480,000	8,810	3.5%
Survey and Engineering	498,100	2,965	1.2%
Const. Loan Interest & Fees	3,067,701	18,260	7.2%
Permanent Financing	119,500	711	0.3%
Legal Fees	30,000	179	0.1%
Reserves	762,589	4,539	1.8%
Contract Costs	22,500	134	0.1%
Construction Contingency	2,527,917	15,047	5.9%
Local Fees	1,498,000	8,917	3.5%
TCAC	280,055	1,667	0.7%
Other Costs	618,000	3,679	1.4%
PROJECT COSTS	41,729,500	248,390	97.6%
Developer Overhead/Profit	1,000,000	5,952	2.3%
Organizational Legal	10,500	63	0.0%
TOTAL USES	42,740,000	254,405	100.0%

Annual Operating Budget**Mandela Gateway**

\$ per unit

INCOME:

Total Rental Income	1,626,068	9,679
Laundry	5,040	30
Commercial/Retail	0	-
Gross Potential Income (GPI)	1,631,108	9,709

Less:

Vacancy Loss	67,383	401
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Total Net Revenue	1,563,725	9,308
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EXPENSES:

Payroll	304,464	1,812
Administrative	149,404	889
Utilities	109,008	649
Operating and Maintenance	292,896	1,743
Insurance and Business Taxes	109,975	655
Taxes and Assessments	33,462	199
Reserve for Replacement Deposits	58,800	350
Subtotal Operating Expenses	1,058,009	6,298

Financial Expenses

Mortgage Payments (1st loan)	209,066	1,244
Total Financial	209,066	1,244

Total Project Expenses	1,267,075	7,542
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Cash Flow

Mandela Gateway

CalHFA # 02-042-N

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RENTAL INCOME										
Section 8 Increment/Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Section 8 Rents	259,908	265,106	270,408	275,816	281,333	286,959	292,699	298,553	304,524	310,614
ACC Subsidy	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
ACC Subsidy	212,492	216,742	221,077	225,498	230,008	234,608	239,301	244,087	248,968	253,948
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	1,153,668	1,182,510	1,212,072	1,242,374	1,273,434	1,305,269	1,337,901	1,371,349	1,405,632	1,440,773
TOTAL RENTAL INCOME	1,626,068	1,664,358	1,703,558	1,743,689	1,784,775	1,826,837	1,869,900	1,913,988	1,959,124	2,005,335
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	5,040	5,166	5,295	5,428	5,563	5,702	5,845	5,991	6,141	6,294
Commercial Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	5,040	5,166	5,295	5,428	5,563	5,702	5,845	5,991	6,141	6,294
GROSS INCOME	1,631,108	1,669,524	1,708,853	1,749,117	1,790,336	1,832,540	1,875,745	1,919,979	1,965,265	2,011,629
Vacancy Rate :Section 8	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Vacancy Rate -ACC Subsidy	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
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	67,383	69,021	70,698	72,416	74,177	75,980	77,827	79,720	81,658	83,645
EFFECTIVE GROSS INCOME	1,563,725	1,600,503	1,638,155	1,676,700	1,716,161	1,756,560	1,797,918	1,840,259	1,883,607	1,927,985
OPERATING EXPENSES										
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses	966,347	1,000,169	1,035,175	1,071,406	1,108,906	1,147,717	1,187,887	1,229,463	1,272,495	1,317,032
Replacement Reserve	58,800	58,800	58,800	58,800	58,800	61,740	61,740	61,740	61,740	61,740
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	32,862	33,519	34,190	34,873	35,571	36,282	37,008	37,748	38,503	39,273
TOTAL EXPENSES	1,058,009	1,092,488	1,128,165	1,165,080	1,203,276	1,245,740	1,286,635	1,328,951	1,372,738	1,418,045
NET OPERATING INCOME	505,716	508,015	509,990	511,620	512,885	510,820	511,283	511,308	510,869	509,940
DEBT SERVICE										
CalHFA - 1st Mortgage	209,066	209,066	209,066	209,066	209,066	209,066	209,066	209,066	209,066	209,066
CalHFA - Section 8 Increment Loan	258,889	258,889	258,889	258,889	258,889	258,889	258,889	258,889	258,889	258,889
Operating Expense Reserve Withdrawals	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	37,760	40,059	42,035	43,665	44,930	42,865	43,328	43,353	42,914	41,985
DEBT COVERAGE RATIO - 1st	2.42	2.43	2.44	2.45	2.45	2.44	2.45	2.45	2.44	2.44
DEBT COVERAGE RATIO - 1st & 2nd	1.00	1.09	1.09	1.09	1.10	1.09	1.09	1.09	1.09	1.09
Long Term Operating Expense Reserve	459,376	468,564	477,935	487,493	497,243	507,188	517,332	527,679	538,232	548,997

Cash Flow

	Year 11	Year 12	Year 13	Year 14	Year 15
RENTAL INCOME					
<i>Section 8 Increment Increase</i>	2.00%	2.00%	2.00%	2.00%	2.00%
Section 8 Rents	0	0	0	0	0
<i>ACC Subsidy</i>	2.00%	2.00%	2.00%	2.00%	2.00%
ACC Subsidy	259,027	264,207	269,491	274,881	280,379
<i>Affordable Rent Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,476,793	1,513,712	1,551,555	1,590,344	1,630,103
TOTAL RENTAL INCOME	1,735,819	1,777,920	1,821,047	1,865,225	1,910,482
OTHER INCOME					
<i>Other Income Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	6,452	6,613	6,778	6,948	7,121
Commercial Income	0	0	0	0	0
TOTAL OTHER INCOME	6,452	6,613	6,778	6,948	7,121
GROSS INCOME	1,742,271	1,784,533	1,827,825	1,872,173	1,917,603
<i>Vacancy Rate - Section 8</i>	2.00%	2.00%	2.00%	2.00%	2.00%
<i>Vacancy Rate - ACC Subsidy</i>	2.00%	2.00%	2.00%	2.00%	2.00%
<i>Vacancy Rate - Affordable</i>	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	79,343	81,300	83,306	85,362	87,469
EFFECTIVE GROSS INCOME	1,662,928	1,703,232	1,744,518	1,786,811	1,830,134
OPERATING EXPENSES					
<i>Annual Expense Increase</i>	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses	1,363,128	1,410,937	1,460,217	1,511,324	1,564,221
Replacement Reserve	64,827	64,827	64,027	64,827	64,827
<i>Annual Tax Increase</i>	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	40,059	40,860	41,677	42,511	43,361
TOTAL EXPENSES	1,468,014	1,516,524	1,566,721	1,618,662	1,672,408
NET OPERATING INCOME	194,915	186,708	177,798	168,149	157,726
NOI with Reserve Withdrawal	219,519	219,519	219,519	219,519	219,519
DEBT SERVICE					
CalHFA - 1st Mortgage	209,066	209,066	209,066	209,066	209,066
CalHFA - Section 8 Increment Loan					
Operating Expense Reserve Withdrawals	(24,604)	(32,811)	(41,721)	(51,370)	(61,793)
CASH FLOW after debt service	10,453	10,453	10,453	10,453	10,453
DEBT COVERAGE RATIO - 1st	1.05	1.05	1.05	1.05	1.05
DEBT COVERAGE RATIO - 1st & 2nd					
Long Term Operating Expense Reserve	535,372	513,269	401,813	440,079	307,007



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Mandela Gateway



MANDELA GATEWAY



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RESOLUTION 02-26

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Bridge Housing Corporation, a California nonprofit public benefit corporation, on behalf of Mandela Gateway Associates (the "Borrower"), seeking a loan commitment under the Agency's Taxable Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 168-unit multifamily housing development located in the City of Oakland to be known as Mandela Gateway Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated October 29, 2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to 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:

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NUMBER OF UNITS</u>	<u>MORTGAGE AMOUNT</u>
02-042-N	Mandela Gateway Apartments Oakland/Alameda	168	First Mortgage: \$2,000,000 Second Loan: \$1,900,000 Third Loan: \$1,200,000

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.



1 Resolution 02-26

2 Page 2

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

11
12 I hereby certify that this is a true and correct copy of Resolution 02-26 adopted at a duly
13 constituted meeting of the Board of the Agency held on November 14, 2002, at Millbrae,
14 California.

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ATTEST: _____
Secretary



CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Woodglen Vista
Santee, San Diego County, CA
CalHFA # 02-047-S

SUMMARY

This is a final commitment request for tax-exempt 501(c)(3) loan financing in the amount of Ten Million Four Hundred Fifty Thousand Dollars (\$10,450,000). The financing will consist of two loans; \$9,150,000 and \$1,300,000 respectively. Security for the loans will be an existing 188-unit family apartment community with common area amenities. The property will be owned by Jamboree Housing Corporation (“Jamboree”), a nonprofit public benefit corporation.

Woodglen Vista was constructed in 1979. The California Housing Finance Agency (“CalHFA” or “Agency”) served as both construction and permanent lender. There is a Housing Assistance Payment (“HAP”) contract which provides a Section 8 subsidy to all of the projects 188 units. The contract has a remaining term of approximately sixteen years.

LOAN TERMS

First Mortgage	\$9,150,000
Interest Rate	5.9%
Term	30 year fixed, fully amortized
Financing	501(c)(3) Tax-Exempt
Insurance	FHA Risk Share
Second Loan	\$1,300,000
Interest Rate	5.9%
Term	16 year fixed, fully amortized
Financing	501(c)(3) Tax-Exempt

The Agency’s primary loan will be insured under the FHA Risk Share program. The interest rate is subject to revision at time of bond sale and any resulting change in loan amounts will be subject to provisions contained in the authorizing resolution.

HOUSING ASSISTANCE PAYMENT (“HAP”)

In August 1979, the Agency entered into a Housing Assistance Payment (“HAP”) contract with Woodglen Vista Joint Venture, the owner of the property. The initial term of the contract was five (5) years ending August, 1984. In addition there were seven (7) optional terms of five (5)

years each, which effectively extended the HAP contract to August 2019. The HAP contract covers all of the project’s 188 units.

For the proposed financing, unit rents have been underwritten at either the 50% or 60% AMI rent levels. That portion of annual HAP contract proceeds, above the 50% and 60% income levels, will be used to underwrite and pay the annual debt service to fully repay the \$1,300,000 secondary CalHFA loan over a period of sixteen years.

The assignment of the HAP contract to the new borrowing entity, any required modification to the contract and the general plan of financing are subject to the approval of the Department of Housing and Urban Development (“HUD”). In the event that said approvals impact the transaction, the loan terms and conditions of the CalHFA loan may be modified accordingly. The borrower will be required to seek and accept any renewals of the project based Section 8 contract.

PROJECT FEASIBILITY

Market rate rents for comparable properties average \$818 for a one-bedroom unit; \$1,081 for a two-bedroom unit; and \$1,410 for a two-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	\$ Difference	% Market
One Bedroom		\$818		
50%	\$ 566		\$252	69%
60%	\$ 687		\$131	84%
Two Bedroom		\$1,081		
50%	\$632		\$449	58%
60%	\$768		\$ 313	71%
Three Bedroom		\$1,410		
50%	\$ 706		\$704	50%
60%	\$857		\$553	61%

PROJECT DESCRIPTION

Project Location

Woodglen Vista is located at 10450 Magnolia Avenue in Santee, San Diego County. Magnolia is a major thoroughfare that runs north/south virtually the entire length of Santee. The

immediate neighborhood is predominantly residential in character. The property is adjacent to a community park to the west, an elementary school to the south, a condominium property to the north and single family homes to the east across Magnolia Avenue.

Site

The subject site is situated on the southwest corner of Magnolia Avenue and Kerrigan Street, with approximately 605 feet frontage along Magnolia Avenue, and approximately 628 feet frontage along Kerrigan Street, and containing approximately 379,843 square feet or 8.72 acres. Vehicular access is from both Magnolia Avenue and Kerrigan Street.

Improvements

Woodglen Vista is comprised of 24 two-story residential buildings containing a total of 188 units. The improvements were constructed in 1979. There are **44** one-bedroom units; 96 two-bedroom units; and **48** three-bedroom units. The units are of a single level design and are located in a park like setting. Common area amenities include a pool, playground, laundry room and freestanding community building. On-site parking is provided for 266 vehicles. The site **has** attractive mature landscaping.

All of the residential units have central heating and air conditioning and ceiling fans, a walk-in closet, and additional linen storage. Floor coverings consist of carpeting and vinyl tile.

OCCUPANCY RESTRICTIONS

CalHFA 20% (38) of the units will be restricted at 50% or less of AMI
 80% (149) of the units will be restricted at 60% or less of AMI.

The CalHFA Regulatory Agreement will be for a term of fifty (50) years.

ENVIRONMENTAL

A Phase I Environmental Assessment report is pending. While we do not anticipate any adverse conditions resulting from the use and operations of the property, an acceptable report will be required as a condition of loan closing.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

The property has been well maintained. Rehabilitation will be limited to items of deferred maintenance and component replacement. The majority of project renovation will be directed towards the facilitation of service programs to be provided by the nonprofit sponsor, and to upgrade the property with amenities and other modernization initiatives to establish and maintain the projects competitive viability and to enhance the projects economic life.

It is currently anticipated, based upon preliminary analysis, that \$5,000 per unit will be adequate; however, a comprehensive study or scope will be derived upon formalization of the nonprofit sponsor's service program.

ARTICLE XXXIV

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

DEVELOPMENT TEAM

Borrower's Profile

Jamboree Housing Corporation

Jamboree Housing Corporation ("Jamboree") was incorporated in **1990** as a nonprofit **501(c)(3)** public benefit corporation to expand housing opportunities for low-income households. Jamboree is involved in the development and construction of new affordable rental and for-sale housing; the preservation of existing affordable housing units through acquisition and rehabilitation; and by providing technical assistance to other public and private sector providers of affordable housing. To date, Jamboree has developed and/or acquired more than 2,000 rental and for-sale housing units throughout California.

Jamboree operates an on-site social services program for residents, Housing With Heart, whose mission is to provide programs and services that enhance the lives of residences living in Jamboree communities. The Housing With Heart program has on-staff an experienced full time Director of Social Services whose role is to assess the needs of the population, train staff, coordinate programs utilizing outside resources, and provide direct on-site services tailored to the needs of the specific residential population. Each property is provided with a social services guide created specifically for that community. After school programs include computer labs, homework help and tutoring, and leadership development. **A** myriad of adult education classes **are** conducted on a regular basis.

Management Agent

Evans Property Management, Inc

Evans Property Management, Inc. ("EPMI") was formed in **1984** to manage the growing number of residential projects developed by its parent company, A.F.Evans Company, Inc. Currently EPMI manages **47** apartment projects containing over 6,800 units. Some projects are fee managed for third party owners.

Note: The operating budget for the project has been reviewed and approved by staff. The line item comparison of the budget with IREM standards could not be completed in time for this analysis; however, future presentations will contain a discussion of the comparison.

Project Summary

184

Date: 30-Oct-02

Project Profile:

Project : Woodglen Vista
Location: 10450 Magnolia Ave
 Santee 92701
County: San Diego
Borrower: Jamboree Housing Corporation
GP: N/a
GP: N/a
LP: N/a
Program: Tax Exempt
CalHFA# : 02-047-S

Estimated
Cap Rate: 8.50%
Market: \$18,145,000
Income: \$18,145,000
Final Value: \$18,150,000

LTCLTV:
Loan/Cost 89.4%

Loan/Value 57.6%

Project Description:

Units 188
Handicap Units 0
Bldge Type Acquisition/ Rehab
Buildings 24
Stones 2
Gross Sq Ft 161,032
Land Sq Ft 379,843
Units/Acre 22
Total Parking 266
Covered Parking 0

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA - First Mortgage	\$9,150,000	\$48,670	5.90%	30
CalHFA - HAP Loan	\$1,300,000	\$6,915	5.90%	16
Borrower Contribution	\$0	\$0		
Deferred Developer Equity	\$0	\$0		
Tax Credit Equity	\$0	\$0		

Unit Mix:

Type	Manager		35% AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			0	0	9	566	35	687	0	0	44
2 bedroom	0	0	0	0	19	632	77	768	0	0	96
3 bedroom			0	0	10	706	38	857	0	0	48
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	0		0		38		150		0		188

Fees, Escrows, and Reserves:

ees	Basis o	n	Amount	Security
loan fees	2.00% of Lc	it	\$209,000	Cash
Bond Redemption Premium			\$180,000	Cash
Escrows				
Bond Origination Guarantee	1.00% of Loan Amount		\$104,500	Letter of Credit
Construction Defect	2.50% of Hard Costs		\$23,500	Letter of Credit
Reserves				
Initial Deposit to Replacement Reserve	0.00% of Gross Income		\$304,760	Cash
Annual Replacement Reserve Deposit	\$350 perunit		\$65,800	Operations
Transitional Operating Reserve			\$400,000	Operations

Sources and Uses**Woodglen Vista****SOURCES:**

<i>Name of Lender / Source</i>	Amount	\$ per unit	% of Total
CalHFA - First Mortgage	9,150,000	48,670	78%
CalHFA - HAP Loan	1,300,000	6,915	11%
Operating Expense Reserve	99,760	531	1%
Replacement Reserve	1,145,000	6,090	10%
Total Institutional Financing	11,694,760	62,206	100%
Equity Financing			
Tax Credits	0	0	0%
Borrower Contribution	0	0	0%
Deferred Developer Equity	0	0	0%
Total Equity Financing	0	0	0%
			0%
TOTAL SOURCES	11,694,760	62,206	100%

USES:

Acquisition	9,879,700	52,552	84%
Rehabilitation	940,000	5,000	8%
New Construction	0	0	0%
Architectural Fees	0	0	0%
Survey and Engineering	0	0	0%
Const. Loan Interest & Fees	70,800	377	1%
Permanent Financing	389,500	2,072	3%
Legal Fees	40,000	213	0%
Reserves	304,760	1,621	3%
Contract Costs	16,500	88	0%
Construction Contingency	0	0	0%
Local Fees	0	0	0%
TCAC/Other Costs	3,500	19	0%
PROJECT COSTS	11,644,760	61,940	100%
Developer Overhead/Profit	0	0	0%
Consultant/Processing Agent	50,000	266	0%
TOTAL USES	11,694,760	62,206	100%

Annual Operating Budget

Woodglen Vista

		\$ per unit
INCOME:		
Total Rental Income	1,678,908	8,930
Laundry	15,792	84
Other Income	6,768	36
Commercial/Retail	0	-
Gross Potential Income (GPI)	1,701,468	9,050
Less:		
Vacancy Loss	85,073	453
Total Net Revenue	1,616,395	8,598
EXPENSES:		
Payroll	211,078	1,123
Administrative	168,304	895
Utilities	221,191	1,177
Operating and Maintenance	106,666	567
Insurance and Business Taxes	66,500	354
Taxes and Assessments	21,200	113
Reserve for Replacement Deposits	65,800	350
Subtotal Operating Expenses	860,739	4,578
Financial Expenses		
Mortgage Payments (1st loan)	651,264	3,464
Total Financial	651,264	3,464
Total Project Expenses	1,512,003	8,043

Cash Flow **Woodglen Vista** **CHFA # 02-047-S**

	Year1	Year2	Year3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Affordable Rentable Income										
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	2.00%									
Affordable Rents	1,678,908	1,712,486	1,746,736	1,781,671	1,817,304	1,853,650	1,890,723	1,928,538	1,967,108	2,006,450
TOTAL RENTAL INCOME	1,678,908	1,712,486	1,746,736	1,781,671	1,817,304	1,853,650	1,890,723	1,928,538	1,967,108	2,006,450
OTHER INCOME										
Other Income Increase	2.00%									
Laundry	15,792	16,108	16,430	16,759	17,094	17,436	17,784	18,140	18,503	18,873
Other Income	6,768	6,903	7,041	7,182	7,326	7,472	7,622	7,774	7,930	8,088
TOTAL OTHER INCOME	22,560	23,011	23,471	23,941	24,420	24,908	25,406	25,914	26,433	26,961
GROSS INCOME	1,701,468	1,735,497	1,770,207	1,805,611	1,841,724	1,878,558	1,916,129	1,954,452	1,993,541	2,033,412
Vacancy Rate : Market	0									
Vacancy Rate : Affordable	5.00%									
Less: Vacancy Loss	85,073	86,775	88,510	90,281	92,086	93,928	95,806	97,723	99,677	101,671
EFFECTIVE GROSS INCOME	1,616,395	1,648,722	1,681,697	1,715,331	1,749,637	1,784,630	1,820,323	1,856,729	1,893,864	1,931,741
OPERATING EXPENSES										
Annual Expense Increase	3.50%									
Expenses	773,739	800,820	828,849	857,858	887,883	918,959	951,123	984,412	1,018,867	1,054,527
Replacement Reserve	65,800	65,800	65,800	65,800	65,800	69,090	69,090	69,090	69,090	69,090
Annual Tax Increase	2.00%									
Taxes and Assessments	21,200	21,624	22,056	22,498	22,948	23,407	23,875	24,352	24,839	25,336
TOTAL EXPENSES	860,739	888,244	916,705	946,156	976,631	1,011,456	1,044,087	1,077,854	1,112,796	1,148,953
NET OPERATING INCOME	755,656	760,479	764,992	769,175	773,007	773,175	776,235	778,875	781,068	782,788
Additional HAP Income	140,328	143,135	145,997	148,917	151,896	154,934	158,033	161,193	164,418	167,707
Total Operating & HAP Income	895,984	903,614	910,989	918,092	924,903	928,109	934,268	940,068	945,486	950,495
DEBT SERVICE	1	2	3	4	5	6	7	8	9	10
CHFA - 1st Mortgage	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264
CHFA - HAP Loan	16	125,736	125,736	125,736	125,736	125,736	125,736	125,736	125,736	125,736
CHFA - HAT Loan (ammortizing)	0	0	0	0	0	0	0	0	0	0
Total Debt Service	777,000									
Cash Flow after Primary & HAP Dbt Svc	118,984	126,614	133,989	141,093	147,903	151,109	157,268	163,069	168,486	173,495
DSC - Primary (NOI) & HAP	1.15	1.16	1.17	1.18	1.19	1.19	1.20	1.21	1.22	1.22
DCS-Primary Loan to NOI	1.16	1.17	1.18	1.18	1.19	1.19	1.19	1.20	1.20	1.20

Cash Flow

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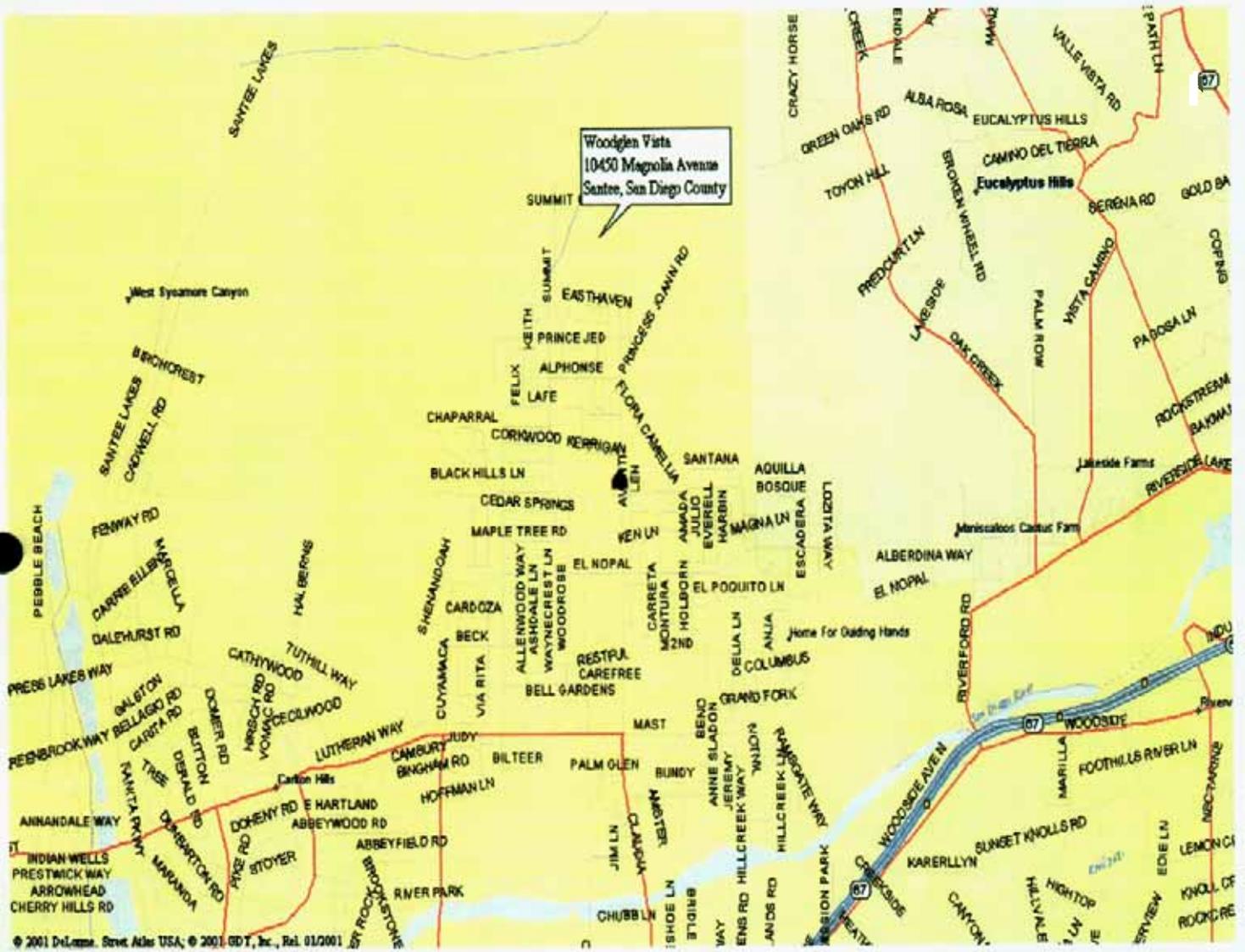
	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rentable Income										
Market Rent Increase	0	0	0	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Affordable Rents	2,046,579	2,087,511	2,129,261	2,171,847	2,215,283	2,259,589	2,304,781	2,350,877	2,397,894	2,445,852
TOTAL RENTAL INCOME	2,046,579	2,087,511	2,129,261	2,171,847	2,215,283	2,259,589	2,304,781	2,350,877	2,397,894	2,445,852
OTHER INCOME										
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Laundry	19,250	19,635	20,028	20,429	20,837	21,254	21,679	22,113	22,555	23,006
Other Income	8,250	8,415	8,583	8,755	8,930	9,109	9,291	9,477	9,666	9,860
TOTAL OTHER INCOME	27,501	28,051	28,612	29,184	29,767	30,363	30,970	31,589	32,221	32,866
GROSS INCOME	2,074,080	2,115,562	2,157,873	2,201,030	2,245,051	2,289,952	2,335,751	2,382,466	2,430,115	2,478,718
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	103,704	105,778	107,894	110,052	112,253	114,498	116,788	119,123	121,506	123,936
EFFECTIVE GROSS INCOME	1,970,376	2,009,784	2,049,979	2,090,979	2,132,798	2,175,454	2,218,963	2,263,343	2,308,610	2,354,782
OPERATING EXPENSES										
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses	1,091,435	1,129,636	1,169,173	1,210,094	1,252,447	1,296,283	1,341,653	1,388,610	1,437,212	1,487,514
Replacement Reserve	72,545	72,545	72,545	72,545	72,545	76,172	76,172	76,172	76,172	76,172
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	25,843	26,360	26,887	27,424	27,973	28,532	29,103	29,685	30,279	30,884
TOTAL EXPENSES	1,189,822	1,228,540	1,268,604	1,310,063	1,352,965	1,400,987	1,446,927	1,494,467	1,543,662	1,594,570
NET OPERATING INCOME	780,554	781,244	781,375	780,916	779,834	774,467	772,036	768,875	764,947	760,211
Additional HAP Income	171,061	174,482	177,972	181,531	185,163	188,866	0	0	0	0
Total Operating & HAP Income	951,615	955,726	959,347	962,447	964,997	963,333	772,036	768,875	764,947	760,211
DEBT SERVICE	11	12	13	14	15	16	17	18	19	20
CHFA - 1st Mortgage	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264
CHFA - HAP Loan	125,736	125,736	125,736	125,736	125,736	125,736	0	0	0	0
CHFA - HAT Loan (amortizing)										
Total Debt Service	777,000	777,000	777,000	777,000	777,000	777,000	651,264	651,264	651,264	651,264
Cash Flow after Primary & HAP Dbt Svc	174,615	178,726	182,347	185,448	187,997	186,333	120,772	117,611	113,683	108,947
DSC - Primary (NOI) & HAP	1.22	1.23	1.23	1.24	1.24	1.24	1.19	1.18	1.17	1.17
DCS-Primary Loan to NOI	1.20	1.20	1.20	1.20	1.20	1.19	1.19	1.18	1.18	1.17

Cash Flow

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rentable Income										
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	2,494,769	2,544,664	2,595,558	2,647,469	2,700,418	2,754,427	2,809,515	2,865,705	2,923,019	2,981,480
TOTAL RENTAL INCOME	2,494,769	2,544,664	2,595,558	2,647,469	2,700,418	2,754,427	2,809,515	2,865,705	2,923,019	2,981,480
OTHER INCOME										
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Laundry	23,466	23,935	24,414	24,902	25,400	25,908	26,427	26,955	27,494	28,044
Other Income	10,057	10,258	10,463	10,672	10,886	11,104	11,326	11,662	11,783	12,019
TOTAL OTHER INCOME	33,523	34,193	34,877	35,575	36,286	37,012	37,752	38,507	39,278	40,063
GROSS INCOME	2,528,292	2,578,858	2,630,435	2,683,044	2,736,705	2,791,439	2,847,267	2,904,213	2,962,297	3,021,543
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	126,415	128,943	131,522	134,152	136,835	139,572	142,363	145,211	148,115	151,077
EFFECTIVE GROSS INCOME	2,401,877	2,449,915	2,498,913	2,548,891	2,599,869	2,651,867	2,704,904	2,759,002	2,814,182	2,870,466
OPERATING EXPENSES										
Annual Expense Increase	3.50%	3.50%	%SO%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses	1,539,577	1,593,462	1,649,234	1,706,957	1,766,700	1,828,535	1,892,534	1,958,772	2,027,329	2,098,286
Replacement Reserve	79,980	79,980	79,980	79,980	79,980	83,979	83,979	83,979	83,979	83,979
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	31,502	32,132	32,775	33,420	34,099	34,781	35,476	36,186	36,910	37,648
TOTAL EXPENSES	1,651,060	1,705,575	1,761,989	1,820,367	1,880,779	1,947,295	2,011,989	2,078,938	2,148,218	2,239,913
NET OPERATING INCOME	750,818	744,340	736,924	728,524	719,090	704,572	692,915	680,065	665,964	650,553
Additional HAP Income	0	0	0	0	0	0	0	0	0	0
Total Operating & HAP Income	750,818	744,340	736,924	728,524	719,090	704,572	692,915	680,065	665,964	650,553
DEBT SERVICE										
CHFA - 1st Mortgage	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264	651,264
CHFA - HAP Loan	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan (amortizing)	16									
Total Debt Service	651,264									
Cash Flow after Primary & HAP Dbt Svc	99,554	93,076	85,660	77,260	67,826	53,308	41,651	28,801	14,700	(711)
DSC - Primary (NOI) & HAP	1.15	1.14	1.13	1.12	1.10	1.08	1.06	1.04	1.02	1.00
DSC-Primary Loan to NOI	1.15	1.14	1.13	1.12	1.10	1.08	1.06	1.04	1.02	1.00

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RESOLUTION 02-27

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from A. F. Evans Company, on behalf of Jamboree Housing Corporation, a nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide a mortgage loan for a 188-unit multifamily housing development located in the City of Santee known as Woodglen Vista Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated October 30, 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 October 30, 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 the recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NUMBER OF UNITS</u>	<u>MORTGAGE AMOUNT</u>
02-047-S	Woodglen Vista Santee/San Diego	188	First Mortgage: \$9,150,000 Second Mortgage: \$1,300,000

1 Resolution 01-27

2 Page 2

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

8 3. All other material modifications to the final commitment or loan
9 documentation, as well as increases in loan amounts of more than seven percent (7%),
10 must be submitted to this Board for approval. "Material modifications" as used herein
11 means changes to the final commitment or the loan documentation that, in the opinion of
12 the Executive Director (or in the absence of the Executive Director, either the Chief
13 Deputy Director or the Director of Multifamily Programs), materially adversely affects the
14 underwriting of the loan, or changes the public purpose of the loan.

15 I hereby certify that this is a true and correct copy of Resolution 01-27 adopted at a duly
16 constituted meeting of the Board of the Agency held on November 14,2002, at Millbrae,
17 California.

18 ATTEST: _____
19 Secretary

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MEMORANDUM

To: California Housing Finance Agency
Board of Directors

Date: October 31, 2002

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

Subject: ZIEGLER FINANCIAL SERVICES CONTRACT

The Agency is seeking approval from the Board of Directors to engage Ziegler Financing Corporation to underwrite and process HUD 202 loans pursuant to CalHFA's 202 Financing Program. This program is in response to recent significant changes in HUD guidelines that now allow these 202 projects to be recapitalized and improved through new financings.

Ziegler Financing Corporation is uniquely qualified to undertake this task given their extensive financing experience in all forms of HUD assisted projects in addition to senior and health care facilities. Ziegler is also very experienced in working with HUD on their programs and to assist CalHFA in selecting the best course of action when interpreting HUD regulations. Ziegler would be a sole source vendor for this financing program given their expertise and the discrete and complex loan population to be financed

Specifically, Ziegler will perform the following primary tasks:

- Solicit 202 loans on behalf of CHFA
- Provide preliminary loan underwriting and analysis of HUD agreements
- Order and track third party reports
- Review rehab scope in conjunction with CHFA
- Prepare final loan committee and Board reports using CHFA forms
- Function as primary contact with borrower

For this service, Ziegler will receive 1.25% of the final loan amount approved by CalHFA. All compensation to Ziegler is included in the 1.25% payment. Payment to Ziegler would be from loan proceeds or loan fees and would not be advanced from Agency funds except in certain circumstances. Depending on the effectiveness of the 202 financing program, annual compensation to Ziegler could exceed \$500,000 annually, which would generally equate to 8 to 10 projects closed per year.

The loan close process and actual funding would be conducted by Agency staff; Ziegler would not be required to advance loan proceeds.

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RESOLUTION 02-28

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WHEREAS, the California Housing Finance Agency (“Agency”)is statutorily authorized to enter into contracts for services; and

WHEREAS, the Agency is developing a new multifamily loan program that involves the refinancing of a large number of HUD Section 202 affordable senior citizen projects; and

WHEREAS, the HUD 202 refinancing program has numerous components that require expertise in specific areas of loan underwriting, building rehabilitation, special services requirements and HUD processing; and

WHEREAS, the Agency’s business plan anticipates the refinancing a significant percentage of the HUD 202 loan portfolio in California which total 278 projects and over 17,000units; and

WHEREAS, the Agency’s staff is unable to meet the one-time workload demands of the HUD 202 programs while continuing to meet the demands of the Agency’s other multifamily loan programs; and

WHEREAS, Ziegler Financing Corporation (“Ziegler”)has extensive experience and is uniquely qualified in program development, underwriting and processing loans for affordable senior citizen housing projects; and

WHEREAS, the Agency wishes to enter into a contract whereby Ziegler will provide certain underwriting and loan processing services to the Agency, and whereby Ziegler will be compensated, primarily from borrower paid loan fees,

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

- 1. The Executive Director is authorized to negotiate and execute a contract with Ziegler Financial Corporation for the processing and underwriting of HUD 202 loans, on terms and conditions that the Executive Director deems reasonable and appropriate.

I hereby certify that this is a true and correct copy of Resolution 02-28 adopted at a duly constituted meeting of the Board of Directors of the Agency held on November 14,2002, at Millbrae, California.

ATTEST: _____
Secretary

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MEMORANDUM**To:** Board of Directors**Date:** October 31, 2002**From:** Nancy Abreu, Director of Insurance
CALIFORNIA HOUSING FINANCE AGENCY**Subject:** GEMICO Contract

The Agency is seeking authority to negotiate and enter into a contract with General Electric Mortgage Insurance Corporation (GEMICO) to provide reinsurance and related automation services for the California Housing Finance Agency.

As background, on July 1, 2002, CalHFA distributed a solicitation to five of the private mortgage insurance providers seeking bids to provide CalHFA with reinsurance and related services on both the current book of business and future business. Additionally CalHFA recognized that many of its mortgage insurance procedures and technology were antiquated and could not be retrofit in a timely manner to support the new reinsurance treaty and to meet business needs. Thus the solicitation also requested bids for several related operational functions.

Bids were reviewed by a senior management team along with Ken Bjurstrom, a consultant with Milliman USA. Milliman was retained to advise the Agency as to the best structure of the reinsurance transaction and economics which would be in the best interest of the Agency. Both the team and Bjurstrom recommended to Executive Director Theresa Parker that the Agency select GEMICO for its partner. Executive Director Parker chose GEMICO. Both GEMICO and the other bidders were advised of the decision subject to Board approval.

CalHFA has terminated the current Hanover **Re** reinsurance treaty as of December 31, 2002. The new reinsurance agreement with GEMICO must thus **go** into effect by January 1, 2003. It is thus necessary that staff have the authority to enter into the new agreement before the next regular Board meeting in January. As of the date **of** this memo, the terms of the reinsurance agreement had not yet been negotiated. The team from GEMICO is scheduled to be at CalHFA during the week of November 4, 2002, for this purpose. The new reinsurance treaty is expected to be a multi-year treaty, with compensation to GEMICO likely exceeding the \$500,000 threshold for Board approval.

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RESOLUTION 02-29

WHEREAS, the California Housing Finance Agency (“Agency”) is statutorily authorized to enter into contracts for services; and

WHEREAS, the Board of Directors is statutorily required to approve major contractual agreements; and

WHEREAS, the Agency is statutorily authorized to enter into contracts of insurance and reinsurance in connection with its mortgage insurance program; and

WHEREAS, the Agency has conducted a competitive process to seek private mortgage reinsurers to provide a reinsurance treaty to the Agency in connection with its mortgage insurance program; and

WHEREAS, the Agency has selected General Electric Mortgage Insurance Corporation (“GEMICO”) as its reinsurer; and

WHEREAS, GEMICO has proposed providing reinsurance to the Agency, together with a comprehensive package of related services, including information technology; and

WHEREAS, the Agency desires to enter into a multi-year reinsurance treaty with GEMICO,

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

1. The Executive Director is authorized to negotiate and execute a multi-year reinsurance treaty, and all necessary agreements ancillary thereto, with General Electric Mortgage Insurance Corporation, on terms and conditions that the Executive Director deems reasonable and appropriate.

I hereby certify that this is a true and correct copy of Resolution 02-29 adopted at a duly constituted meeting of the Board of Directors of the Agency held on November 14, 2002, at Millbrae, California.

ATTEST: _____
Secretary

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