CalHFA BOARD OF DIRECTORS

Thursday, January 9, 2003

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

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the November 14, 2002 Board of Directors meeting.

3. Chairman/Executive Director comments.

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS
02-045-N	Kennedy Meadows	Jackson/Amador	56

Resolution 03-01...101

NUMBER	DEVELOPMENT	LOCALITY	UNITS
02-041-N	Noble Towers	Oakland/Alameda	195

Resolution 03-02...119

5. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family housing bonds, and related financial agreements and contracts of services. (Ken Carlson)
Resolution 03-05...143

6. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, and related financial agreements and contracts of services. (Ken Carlson)
Resolution 03-06...157

7. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond volume cap allocation for the Agency's homeownership and multifamily programs. (Ken Carlson)
Resolution 03-07...171

8. Discussion, recommendation and possible action relative to the adoption of a resolution approving investment in unrated mortgage-backed bonds issued by other entities. (Ken Carlson)
Resolution 03-08...179

9. Discussion of the 2002-03 Business Plan Update. (Ken Carlson; Jerry Smart/Ken Williams; Nancy Abreu; Linn Warren; Margaret Alvarez; Jackie Riley)

10. Discussion, recommendation and possible action relative to the approval of a resolution authorizing certain contracting by the Agency. (Tom Hughes)
Resolution 03-09...183

11. Discussion, recommendation and possible action relative to the approval of a resolution approving amendments to regulations relating to mortgage insurance. (Tom Hughes)
Resolution 03-10...189

12. Discussion of other Board matters/Reports.

13. 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 $14.00 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 March 20, 2003, at the Holiday Inn Capitol Plaza, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

The Westin Hotel
San Francisco International Airport
Millbrae, California

Thursday, November 14, 2002
9:30 a.m. to 11:36 a.m.

"Minutes approved by the Board of Directors at its meeting held: Jan. 9, 2003

Attest: "

Reported and Transcribed by: Ramona Cota

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APPEARANCES

Directors Present:

CLARK WALLACE, Chairman

JULIE I. BORNSTEIN

CARRIE A. HAWKINS

PAT NEAL

LUPITA OCHOA

THERESA A. PARKER

ANNETTE PORINI

JACK SHINE

LAURIE WEIR

Staff Present:

TOM HUGHES, General Counsel

JOJO OJIMA

APPEARANCES (CONTINUED)

For the Staff of the Agency:

NANCY ABREU

KEN CARLSON

TINA ILVONEN (Consultant to CalHFA)

IRENE JENKINS

ROGER KOLLIAS

RICHARD LaVERGNE

DOM MAIO

DI RICHARDSON

LINN WARREN

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

ALVIN BONNETT, EAH

CAROLE GALANTE, BRIDGE Housing

GORDON SCHANCK, University of California

RICHARD SCHERMERHORN

I N D E X

P R O C E E D I N G S

THURSDAY, NOVEMBER 14, 2002 MILLBRAE, CALIFORNIA 9:32 A.M.

CHAIRMAN WALLACE: I will call the meeting of the CalHFA to order. Wait until I go get that packet and see if I'm doing that right. It's going to be years in training that we are going to need to do this, you know, Terri. And the minutes reflect that.

MS. PARKER: It's a quarter every time you make a mistake.

CHAIRMAN WALLACE: Okay, I'm out of here. If we may then, secretary, call the roll.

ROLL CALL

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

MS. WEIR: Here.

MS. OJIMA: Mr. Bayuk?

(No response).

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Here.

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

MS. NEAL: Here.

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

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

MS. PORINI: Here.

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

(No response).

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN WALLACE: We have a quorum. I hate to say it this way but it's a bare quorum.

MR. SHINE: B-A-R?

CHAIRMAN WALLACE: Yes, B-A-R-E. But we do have a quorum. Which means, on any vote nobody up here can leave the room, okay. Laurie, nice to have you here. Welcome. Angelides won the election so he sent you now and gave Jeanne the rest of the year off?

MS. WEIR: Thank you. I'm delighted to be here and we are delighted that Phil won the election. Jeanne is taking a bit of time to put together the new tax credit program, which is an economic development tax credit program, as well as re-working her cue-out for the housing tax credit program. She is a very busy person right now so I am pleased to represent both her and the Treasurer today.

CHAIRMAN WALLACE: We're happy to have you, thank you.

APPROVAL OF THE MINUTES OF THE SEPTEMBER 12, 2002 MEETING

With that let's go to Item 2 on the agenda, approval of the minutes. And I know I had a few corrections so let's see what I did. On page 23 -- these are the minutes of the September 12, 2002 Board Meeting. I believe on line 9 that -- Ramona, you weren't here last meeting. No wonder. Those remarks I think were Bob Klein's, not Linn Warren's, starting on line 9. Read that, Linn, and see if you could possibly have said something like what I think Bob said.

MR. WARREN: I'll take credit for Mr. Klein's comments at any time, Mr. Chairman.

CHAIRMAN WALLACE: I would be careful.

MR. WARREN: Yes, I know. I'll examine that, sir.

CHAIRMAN WALLACE: Page --

MR. WARREN: Page, sir?

CHAIRMAN WALLACE: Twenty-three, starting with line 9. It looks like -- And I kind of vaguely remember. It looks like the exchange was --

MS. PARKER: Are you on page --

CHAIRMAN WALLACE: I'm sorry, it's --

MS. PARKER: He's on --

CHAIRMAN WALLACE: What is the number here? I'm on the upper right hand corner, 23, line 9.

MR. HUGHES: Also a note, Mr. Chairman, that on page 24 the next speaker is Mr. Warren so undoubtedly the names are incorrect.

CHAIRMAN WALLACE: I want Linn to look at it since Klein isn't here. You can take credit for it if you want but I don't think you want to.

MR. WARREN: No, Mr. Chairman, I would rather not take credit for it. Thank you, though. I believe it is Mr. Klein.

CHAIRMAN WALLACE: It's Mr. Klein, Ramona. Again, I am going upper right hand corner, page 23, line 9. It should be Mr. Klein not Mr. Warren making those remarks. The second one that I picked up is way back on 83, again upper right hand corner. On line 13, Chairman Wallace. Does everybody know what *IRUM* means? And the answer is, Pat? (Laughter). Never heard of it. It is IREM, Institute of Real Estate Management. So it is not IRUM, Institute of Useless Managers or something like that. So it should be, all caps, I-R-E-M.

And the third one on page 154 upper right hand corner. Again, 154, line, Chairman Wallace: "and the FAOC ..." It should be CAOC, not FAOC. We're talking about this historic agreement between CBIA and FAOC, which should be CAOC. Jack, am I right? So those are the changes that I saw. Anybody else? Hearing and seeing none the Chair will accept a motion to approve the minutes as amended.

MS. HAWKINS: So moved.

CHAIRMAN WALLACE: Carrie.

MS. NEAL: Second.

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

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

MS. WEIR: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Here. Yes, aye. I'm sorry.

CHAIRMAN WALLACE: It's okay, Pat.

MS. OJIMA: Thank you, Ms. Neal. Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace.

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Okay, the minutes have been approved.

CHAIRMAN WALLACE: The minutes of the September 12, 2002 Board of Directors meeting are hereby approved. Moving on to Chairman/Executive Director comments.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

I really don't think I have any but you probably do, Terri. Are you on a roll there?

MS. PARKER: Yes, Mr. Chairman, I do have just a few comments. Obviously, as all of you know, Prop 46, the housing bond, passed during the election last week. And what was really great about it was not only that it passed, but the strong passage of the proposition, which essentially really can give the housing community a fair amount of certainty of a fund source for the next three to five years.

The California Housing Finance Agency has a role in the bond. We have one program that we will be administering in partnership with HCD, that's a preservation program for rental housing, then on the home ownership side we have $290 million of down payment assistance that is in a number of programs.

We met the day after the bond passed to, essentially, look internally about what we need to be doing and our timelines for when we will be implementing those various programs. Many of these programs we have implemented in the past with state general fund money, the down payment assistance program specifically, the schools facilities fees program, so we have resolutions and authorizations for those programs. So our plan is to be, hopefully, starting to implement those around the first of February.

We will be updating in our January meeting our Business Plan. I will give you a little bit more information about all of that specifically. The one area that we do have some work on is the $85 million that is in the mortgage insurance fund. We have a meeting set to meet with CAR next week to begin discussions with them about uses for that money, and we intend to follow that up with a broader group of folks in focus groups to, essentially, see what would be a way to expand and utilize that money in an efficient and effective manner.

I guess if nothing else, we have many things that we are working on with respect to the bond, but we are also going to touch on some other issues that the staff thinks are good places for the Agency to be going on an entrepreneurial effort. We are going to be enjoying presenting them to you. Again, we will be doing a mid-year update in our January meeting which would lead to, obviously, discussion through the first part of next year about where we are going to go with our Business Plan 2003/2004 and for the next five years.

CHAIRMAN WALLACE: Any questions of Laurie or my report?

MS. PARKER: That was Terri, not Laurie.

CHAIRMAN WALLACE: I just got back from South

Africa and I'm about ten time zones -- I'm at about the Azores right now. But then I usually am. Okay, anything on Terri's report? Hearing and seeing none let's move on to the projects. Linn Warren, Item 4.

MR. WARREN: Thank you, Mr. Chairman. Before I start I would like to make just a couple of introductions, if I may, of new staff with the Agency. With us today is Irene Jenkins. Irene has just joined us as the deputy director of multifamily. Irene is here. Irene joins us from Massachusetts and we are very pleased to have Irene. She, for the last several years, worked in private development for assisted living and senior care facilities. Prior to that she was director of housing at the Vermont and Rhode Island Housing Finance Agencies as well as a fairly good tenure of time at HUD. Irene has come to California and we are very pleased to have her. She will be responsible for, basically, the underwriting and loan production for the Agency.

Also with us today is Ruth Vakili, who is here. Ruth recently joined us after eight years as a construction manager and development officer with the Santa Clara Housing Authority. She worked with Matt Steinle, who many of you know, in a very successful program down there. Prior to that Ruth was with the City of San Jose in the housing department and before that was a construction loan officer. Ruth moved to Sacramento and we are very pleased to have her join us and to fill out our underwriting staff. We welcome them both and you will be seeing a lot of them in the future.

CHAIRMAN WALLACE: Are you happy to be here, Irene, from Massachusetts?

MS. JENKINS (FROM THE AUDIENCE): I'm thrilled. It was snowing the day we were leaving.

CHAIRMAN WALLACE: We are happy to have you both, welcome.

RESOLUTION 02-26

MR. WARREN: Thank you, Mr. Chairman. The first project for your consideration today is Mandela Gateway. At the prior Board Meeting the staff mentioned to the Board that we are beginning to look at more HOPE VI projects as far as portfolio loans for the Agency and Mandela, with BRIDGE Housing, is the first in this particular initiative.

Briefly by way of background: HOPE VI Projects is a funding initiative, a redevelopment initiative, by HUD to address dilapidated public housing units throughout the country through large grants and subsidy loans to basically demolish and revitalize these projects. One of the main components of HOPE VI is not only the replacement of the public housing units, but also the inclusion of other income levels, essentially a mixed-income project. It is a model that has been very successful and we are very fortunate to have BRIDGE here with us on this. BRIDGE is also involved in a very large HOPE VI project in San Francisco known as North Beach, so they have a great deal of experience with that.

By way of background: The request today is for basically three loans. The first is a taxable loan in the amount of $2 million at the interest rate of 6.5 percent, 15 year fully amortizing. The second is a Section 8 increment loan and this is in the amount of $1.9 million, 6.5 percent, 10 year; we will explain the terms in just a moment. The third is a FAF loan and let me spend a little bit of time on that. The FAF loan amount is for $900,000, or potentially up to $1.2 million in the event that the Section 8 contract for the project is not obtained from HUD.

Back to the second loan for just a moment. As the Board has seen in the past, we often make loans at the difference between underwriting rents and the Section 8 contract rents; hence, the name *increment loan for Section 8*. We have done a number of these over the years. As a matter of fact, the very first one we did was with BRIDGE several years ago. We feel that is an acceptable underwriting risk. Certainly the continuation of the Section 8 subsidies administered by the Oakland Housing Authority is a fairly safe underwriting risk.

In the event that the Section 8 does not materialize, then we would want to lend more money in the form of the third subsidy loan, increasing the loan from

$900,000 to $1.2 million. If the Section 8 does not continue, then the Oakland Housing Authority is prepared to step in with a loan of $1.6 million to backstop the absence of the Section 8, and Tina can elaborate on that a little bit more in the future.

The third loan is a bit of a departure for us. It is going to be funded through FAF savings, which is excess revenues we receive from restructuring of Section 8 properties pursuant to the McKinney Act, and it will be residual receipts. We occasionally do these. This is essentially a gap financing loan, which in discussions with BRIDGE and the Oakland Housing Authority, is really needed to make the project work. If the Section 8 does go to the property then the loan is basically a 30 year loan. If the Section 8 does not arrive then we will make this a 55 year residual receipt loan. As extra monies become available or if Section 8 may continue then those monies will be directed toward the early retirement of the FAF loan.

So we really have a conditional approval at this juncture. If the Section 8 arrives, then we will go with the $900,000 residual receipts loan. If it does not, then we will move that to the $1.2 million residual receipt loan and drop the request for the $1.9 million. So with that, I am going to stop and let Tina go through the project.

CHAIRMAN WALLACE: Linn, what is FAF?

MR. WARREN: Financing Adjustment Factor. What happens is if we have a Section 8 project today, which the Agency has, and the underlying bonds are refinanced, what HUD decided to do was not reduce the amount of the Section 8 contract. Instead, any savings that may occur through the refinancing of the underlying debt would be shared 50/50 between HUD and the Agency. This also occurs with fellow HFAs. This money then, pursuant to an agreement with HUD, is re-lent out to, basically, promote affordable housing. There are certain restrictions that go along with FAF money, but we need to find ways to spend this money per our agreement with HUD. So FAF is an acronym for the source of where this money came from.

CHAIRMAN WALLACE: Okay.

MR. WARREN: So with that, Tina, why don't you go ahead and start on the project.

MS. ILVONEN: Okay. Let me see. This is a picture of the site in West Oakland. This is the BART station right here, so the site is across from the BART station. It is two contiguous sites. This site right here is the housing that is being replaced, the public housing that is being replaced. It is 46 units, which will be demolished. This site is three separate sites that are going to be placed together to make up the second half of the Mandela Gateway site.

CHAIRMAN WALLACE: Tina, we are looking north toward Berkeley?

MS. ILVONEN: This is Oakland.

MR. WARREN: Oakland.

CHAIRMAN WALLACE: Downtown Oakland, Lake Merritt.

MS. ILVONEN: This is downtown Oakland right here. This is the BART station.

CHAIRMAN WALLACE: The freeway heading off to the right off the screen is heading towards the south.

MS. ILVONEN: I think that's 980.

MR. WARREN: 880.

MS. ILVONEN: It's 880.

CHAIRMAN WALLACE: And maybe for reference, Carole, can you help? Where is our Acorn project?

MS. ILVONEN: There is another slide that we will have.

MR. WARREN: Let's go up one.

MS. ILVONEN: Yes. This is heading towards --

CHAIRMAN WALLACE: BRIDGE has a big Acorn project, where is that? Can you point it out, Carole?

MS. GALANTE (FROM THE AUDIENCE): You need the previous slide to show it. It's right in here.

CHAIRMAN WALLACE: Okay. Okay.

MR. WARREN: And also by way of reference, Acorn is there and the Agency has down in this area and up in here two Section 8 projects we refinanced called Mohr and Oak (phonetic). We have done a fair amount of business in this part of Oakland.

CHAIRMAN WALLACE: Right.

MR. WARREN: I'm sorry, Tina, go ahead.

MS. ILVONEN: Okay. Let me just talk about West Oakland first since I have got the picture of West Oakland up. The market area for the project was defined as the City of Oakland from the market study completed. During the past decade West Oakland showed modest population growth, increasing five percent from 23,000 people in 1990 to 24,000 in 2000. The average unemployment rate in Oakland was 7.1 percent in 2000. Median 2001 household incomes in the City of Oakland were at $41,000, while in West Oakland median income was $20,418. As of March 2002 the occupancy rate in Oakland was 92 percent. In addition there are currently 1,600 families on the Section 8 wait list and 500 on the public housing wait list.

(Ms. Ochoa entered the meeting room.)

West Oakland land uses are approximately 20 percent single family, 15 percent condominiums, 30 percent apartments, 30 percent commercial and 5 percent industrial.

The next slide: The Mandela Gateway site is across 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 in 1989 when sections of the Cypress freeway collapsed. Reconstruction of the relocated I-880 freeway created a number of development opportunities outlined in the Transit Village Action Report, which recommended a development of mixed-use, mixed-income development on the key parcels surrounding the BART station, including the Mandela Gateway site.

There you can see the freeway and there is the BART station right there. The project will be developed on two contiguous sites between Seventh and Eighth Streets. The west parcel, which is this parcel, is approximately 1.7 acres between Center and Mandela. This block will be accessed via a shared driveway with the for sale townhomes that BRIDGE is also developing, which will be right here and possibly right here, which is a vacant site also.

The east parcel is 2.85 acres and that will be bound by Mandela Parkway and Union Street. It ends mid-block between Mandela Parkway and Union Street. Right there. This is a close-up of the sites from the BART station. Looking at the site this is the housing that is being replaced, this is the east parcel. You can see that's the J&A Trucking site. This is a closeup of the Westwood Garden public housing that will be replaced.

While I'm looking at the site close up I am going to talk about the environmental. CalHFA has reviewed a Phase

I and Phase II environmental site assessment for the project which was completed by Treadwell & Rollo in August 2002. Both blocks have soil contamination on the site that appears to be the result of past or current activities on the site. No evidence was found indicating contamination by off-site sources. You see we have got a truck repair facility on the site. Also, this is the Caltrans lot.

Because contamination was found in the soil in both blocks, mitigation measures such as capping or off-site disposal will be required for a significant amount of the soil. In addition, the soil will qualify as hazardous waste if excavated or disposed. Treadwell & Rollo recommends additional sampling and site mitigation plans should be prepared. Currently the additional soil sampling has been completed, but I have not yet reviewed that; the report has not been finalized. The site mitigation plans are nearly complete, pending review of the civil engineers' grading plan. The 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 and the mitigation plans by the Agency and its environmental consultant are a condition of closing.

In addition to the Phase I and Phase II, an archeological testing report was completed in October 2002. There was a discovery of a prehistoric midden deposit, which is basically shells, discarded shells from A.D. 610 to A.D. 1280. It's what people were eating back then. Further archeological testing in the form of further exploratory procedures and on-site monitoring during project construction are recommended in order to mitigate any adverse impacts to these resources.

In addition, an abatement work plan was completed in October 2002 on the existing Westwood Garden Apartments. Lead-based paint, asbestos and fluorescent light ballasts containing PCBs were found and that will all require removal and disposal prior to demolition of those apartments. Lastly, a seismic risk evaluation and NEPA review will be ordered. A condition of final commitment will be satisfactory review of these documents.

This is the site plan. This is the Mandela site right here. This is the for sale townhomes there, up at the top. That may also be for sale townhomes. This is also the Mandela site. The west block has one building.

The proposed buildings will be four stories on Seventh Street and will step down to lower townhouses and flats that match the residential character of the buildings across from Eighth Street because there's Victorians over here. The podium for each block will be ringed with wood-framed flats and townhouses up to four stories on the south. The east block will contain additional freestanding three-story apartment buildings in the center of the podium, here.

The design incorporates a range of features to meet the needs of the development's targeted populations. Semi-public plazas mark the entrance to the development and the neighborhood. A 10,300 square foot outdoor town square, two outdoor play areas for children, a basketball 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 work stations. The development will be fenced and gated and will have security guards on duty 16 hours per day Monday through Friday and 24 hour coverage on the weekends.

The project will also have two ground floor retail spaces totalling approximately 8,000 square feet along Seventh Street, which are to be owned by 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 Streets. The drugstore will have a separate parking lot for 58 cars and a loading dock, and the drugstore will have legally distinct air rights and ground parcels, a separate ownership and separate financing. So that is not part of the Mandela Gateway project, that is separately owned.

The project will have 168 units; 46 will be the public housing replacement units. There will be a total of 36 one bedrooms, 80 two bedrooms, 42 three bedrooms and 10 four bedrooms. These are the rents. These rents do not show the ACC rents, which are at $385 per unit. Those are the subsidized --

MS. PARKER: Tina, what is ACC.

MS. ILVONEN: Annual Contribution Contract from HUD to the Oakland Housing Authority. Those funds will be passed to the partnership.

MR. WARREN: Maybe just real briefly: ACC rents are designed to, basically, equal the operating expenses for the contract. By definition, ACC rents cannot support debt, it basically is public housing funds. And that is set every year based upon operating expenses. So that is why it is so low. They are tied to whatever the tenants can pay and what it takes to operate the public housing component of the project.

MS. ILVONEN: The tenants on the public housing wait list in Oakland, their average AMI income is 17 percent, so these are going to be very, very low income units. We did not put them on there because they are so low. There's also five units at 40 percent rents that are not on this chart. But we have got the units at 45 percent, 50 percent, 60 percent, and the market rates are quite higher. The market rate rents for the -- These are the market rate rents for the market study.

The market rate rents for the appraisal are actually a little bit lower than that; $925 for the one bedrooms, $1,050 for the twos and $1,250 for the threes. But they are still below 90 percent of the -- The restricted rents are still 90 percent or lower of the market rents, even with these lower appraised rents. I just got the appraisal in a few days after the Board write-up was completed, so I was not able to include those rents in there.

The other thing about the rents is there's going to be 30 units that have Section 8 rents, hopefully. We should know about the Section 8 contract next week. The Section 8 rents are higher than the market rate rents, and the Section 8 contract should be for ten years. So when you look at the cash flow, the Section 8 rents are shown only in years 1 through 10 because there is expected to be a ten year Section 8 contract. The term of the Section 8 loan is also ten years, to match the expected term of the Section 8 contract. That's years one through ten.

In years 11 through 15, this is a worst-case scenario, showing the Section 8 rents going to zero. There is a deficit that will be covered by a long-term operating reserve. We are going to have $459,000 up front deposited into a long-term operating reserve, and those funds will not need to be drawn until years 11 through 15 and only if the Section 8 contract does not extend past year 10. Which if they get the Section 8, it is very likely that the contract will extend. So this is a worst-case scenario.

MR. WARREN: It is important to note that of the $450,000 our estimate is we will not need all of that.

MS. ILVONEN: No.

MR. WARREN: It will just be about a third that might be needed.

MS. ILVONEN: The estimate is $212,000.

MR. WARREN: Right, so it's roughly half that. But that is the reserve. But if the Section 8 continues, and we certainly would expect that it would for a project like this, then that would be used to reduce debt or for project purposes, it would stay with the project. So if the Section 8 does continue, as your materials indicate, any excess savings or any development costs savings on the project would go to reduce the FAF loan and to reduce the subsidy loan as quickly as we can. HOPE VI projects don't like to carry debt, that is why we have shorter terms. We try to underwrite it that way to make it debt free as soon as possible.

As I said at the outset, BRIDGE Housing is the developer on this; the John Stewart Company will be the property manager. They both have a fair amount of experience with HOPE VI projects. The Oakland Housing Authority, which is the organization that drives these HOPE VI has been very cooperative. They have a number of HOPE VI initiatives all through Oakland and this is one of them. So with that we would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: Questions from the Board?

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I was surprised to see this residual receipts component because it has not been characteristic of the kinds of loans that we make. Is it because of the combination of financing here that that's a possibility, or is that something we are going to be seeing more of in our lending?

MR. WARREN: I think, Ms. Hawkins, what we have decided to do on the residual receipts is target that for HOPE VI projects only, at this juncture.

MS. HAWKINS: Okay.

MR. WARREN: Part of the reason for doing the residual receipts lending is to ease the burden of local financing. As you can see in the materials here, if the Section 8 does not materialize, then Oakland has to come up with $1.6 million. There was a funding gap anyway on Mandela, but we looked at other HOPE VI projects throughout the state; and we feel that if we offer a subsidy loan in some nature, $1 million, $1.5 million, $2 million, whatever the number might be, then we do lessen the burden of financing on localities and potentially lessen the burden of 9 percent credits. So I think that's the goal. But for right now it will be limited to HOPE VI-type projects, which is a pretty discrete number.

MS. HAWKINS: And I had a second comment. I was concerned about, of course, the cost per unit, always. But I spoke with the sponsor prior to the meeting, and she explained to me how the costs go up in order to get the density component. So it's just one of those circumstances that in order to get the density, the cost goes up, the higher we go up the building. Is that --

MR. WARREN: That is right. Along those lines, Ms. Hawkins, I think that other Board Members have asked that as we do more of these in-fill transactions, which by definition are denser and cost more, one could argue, on a square foot basis, that we provide greater cost detail in the Board packages. Which we will to give the Board Members a better sense of how these costs break down. But you are right, that is the nature of these types of projects.

MS. ILVONEN: Another reason why the costs are high on this is because the costs include the 8,000 square feet of retail space; there is also podium construction. Also, HUD requires prevailing wage and also Section 3 local and resident hiring. So that all increased the costs on this project.

CHAIRMAN WALLACE: Jack.

MR. SHINE: The retail space. You said that was owned by someone else?

MS. ILVONEN: The 8,000 square feet of retail space is owned by the Mandela Gateway residential project, but the 12,400 square feet of commercial space for the drugstore will be owned separately. That will have a separate ground parcel and that will be financed separately.

MR. SHINE: So this loan covers 8,000 feet of commercial space owned by somebody. Who is that?

MS. ILVONEN: The Mandela Gateway partnership, the partnership that we are loaning to.

MR. WARREN: The partnership that developed the residential will also -- Part of our collateral will include the 8,000 square feet and they will also own the --

MR. SHINE: So that is included in the $30 million construction costs at $157 a foot?

MR. WARREN: Yes.

MS. ILVONEN: Yes.

CHAIRMAN WALLACE: Carole, Mandela Gateway Associates. Who is that?

MS. GALANTE (FROM THE AUDIENCE): The partnership is --

CHAIRMAN WALLACE: This is Carole Galante, President of BRIDGE, for the record.

MS. GALANTE (FROM THE AUDIENCE): The matching partner of that partnership is BRIDGE Housing. In association, two members will sit from the Oakland Housing Authority on that nonprofit board. A BRIDGE-controlled entity will have controlling interest in the managing partner.

CHAIRMAN WALLACE: Right. So it is the developer/ owner, essentially. Yes.

MR. SHINE: Does that mean that the positive income, if any, derived from the retail operation is incorporated somewhere in this cash flow?

MS. ILVONEN: It is not incorporated in the cash flow. We assumed that the retail space will be at a break-even, we did not include it in the cash flow at all.

MS. GALANTE (FROM THE AUDIENCE): But if it is there it would be available. It's partnership income and you are securing the entire parcel.

MR. WARREN: Right.

MR. SHINE: So that income potential is encumbered as well?

MS. GALANTE (FROM THE AUDIENCE): Correct.

MR. WARREN: Yes. But as Tina indicated, it is not reflected in the underwriting.

MS. PARKER: It's worst-case scenario underwriting.

CHAIRMAN WALLACE: Linn, we had 46 public housing units in the traditional sense. What is their status under this scenario?

MR. WARREN: There will be 100 percent replacement. Is that correct?

MS. ILVONEN: Yes.

MR. WARREN: And they will have the first right of refusal for available units when the project is completed.

CHAIRMAN WALLACE: Is it public housing as a part of the project or has it got a --

MR. WARREN: The public housing units will be interspersed throughout all of the units, there will not be a designated public housing section. That is typical of HOPE VI projects and that is the goal, dispersion.

CHAIRMAN WALLACE: Carole.

MS. GALANTE (FROM THE AUDIENCE): Sorry. I just want to highlight what the HOPE VI program really means. HOPE VI is a program of HUD to basically replace old public housing that is concentrated in one location and to disperse it as part of a greater community revitalization and mixed-income development. The whole HOPE VI program and the HUD funds in here for HOPE VI are designed to do exactly what Linn was saying. So we are tearing down the 46 concentrated public housing units, interspersing them with, you know, 168 additional units. The residents who were public housing residents will be able to return to the development and pay still 30 percent of their income for rent, and HUD will still subsidize the operation of 46 units within the broader development, but the development is now owned by a private partnership with tax credits and with private financing.

This is really a complicated terminology to get your arms around because in some ways they are really no longer public housing units in the traditional sense, but they are serving the needs of those what were traditionally public housing residents. So these are very complex new terminologies that we need to become familiar with. Hopefully, the Board will be seeing some more of these kinds of developments throughout the state.

CHAIRMAN WALLACE: You couldn't tell the public housing unit from a non-public housing unit?

MS. GALANTE (FROM THE AUDIENCE): You can't tell the public housing unit from --

CHAIRMAN WALLACE: It's the source of the funding for the rents that is distinguishing here.

MS. GALANTE (FROM THE AUDIENCE): Correct.

MR. WARREN: Right.

MS. GALANTE: Absolutely.

MR. WARREN: That's the mixed-income nature, even though it is all affordable, of HOPE VI projects. And some HOPE VI have market rate components, by way of example. Carole is exactly right, the distinction of public housing tenancy gets lost, quite honestly, as you look at a project. And that is one of the benefits of the HOPE VI.

CHAIRMAN WALLACE: Which is the idea.

MR. WARREN: Which is the idea. As well as revitalizing housing.

MS. PARKER: I don't think we cut Carole any breaks on architectural design review.

MS. ILVONEN: Actually, that is another reason why the costs were expensive on this, because of the architectural design review. They were making sure that this was going to be a very beautiful project because it is the first in the transit development corridor. They had to add a lot of design features on this. So that's another reason why the costs were expensive.

CHAIRMAN WALLACE: Dick, could you crank up the lights just a tad again, please. Dick.

MS. PARKER: LaVergne?

CHAIRMAN WALLACE: LaVergne. That helps. I can now read my notes. Oh, Schermerhorn is back, let there be light. Any further questions from the Board or the audience? I commend staff and BRIDGE too. This is our first HOPE VI?

MR. WARREN: Yes, it is.

CHAIRMAN WALLACE: Yours too, Carole?

MS. GALANTE (FROM THE AUDIENCE): This is actually our third.

CHAIRMAN WALLACE: Third.

MS. GALANTE (FROM THE AUDIENCE): Yes. I actually would just like to make one more comment if I could, which is, I have just been incredibly impressed with Linn and Tina's ability to get their arms around very complex financing. I have been in the business, as I think most of you know, for twenty-two years now and this is probably the most complicated project, notwithstanding our larger HOPE VI deal in San Francisco. This one has had incredible numbers of complications. Dealing with your sister agency at Caltrans has been quite a joy. From environmental issues to archaeological issues to transit issues to adding the HOPE VI to the retail component. As you heard the presentation, you can add all that up and understand how complex this is, and we are doing this in a very short time frame. We are racing for our tax credit deadlines, to close and start construction in February; so all of that has made this very complex but exciting development.

For those of you who were around during the Loma Prieta earthquake, this site was -- if you looked at that first slide you can see the curvilinear nature of the Caltrans site because that's where the 880 freeway originally passed. And Mandela Parkway, which is the street that comes through the center of the two developments is now the major gateway into the West Oakland BART station. But previously the freeway went through this site and cut through the middle of West Oakland. When the freeway was relocated, it has opened huge new opportunities around the transit corridor to do these kinds of transit villages.

So it is very exciting. I really appreciate CalHFA's willingness and ability to get their arms around a complicated project like this and jump in. Particularly with the FAF money, and help us close some very difficult gap financing issues. We are very excited.

CHAIRMAN WALLACE: Would you do it again?

MS. GALANTE (FROM THE AUDIENCE): Absolutely. You know I love these kinds of things. It's what you live for.

CHAIRMAN WALLACE: Twenty-two years just becomes 44 years, Carole. Pat.

MS. NEAL: Yes, Mr. Chairman. In defense of Caltrans--I do this on the Coastal Commission so why change now. We were and have been involved with Caltrans on all of that land around there that we had from the very beginning because Oakland Housing Authority came up to us first. We had a very difficult time with Caltrans, which we have had all along, not just here but all over the state, in explaining to them that they had to get rid of the excess property and the under-utilized property. We actually had to mandate that if we could do it for affordable housing, they were to cooperate. So we finally put that together.

They had one lease -- One of those parcels was to the post office and we said, negotiate to move the post office because they are not using it. They were using the parking lot for training drivers. So they finally came to a very, very good price, I believe, on the parcels. The whole development in there is going to be beautiful as far as all the pictures that I have in the office. Caltrans did finally understand what they were supposed to do. We are doing the same thing in Los Angeles on some of the under-utilized things for affordable housing too.

CHAIRMAN WALLACE: Well, on that high note, you probably would like to make the motion of approval.

MS. NEAL: I would like to move that we approve Resolution 02-26.

MS. HAWKINS: I would like to second it.

CHAIRMAN WALLACE: We have a motion and a second to approve the project. Any discussion on the motion from the Board or anyone from the audience? Hearing and seeing none, secretary, call the roll.

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

MS. WEIR: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-26 has been approved.

CHAIRMAN WALLACE: Resolution 02-26 is hereby approved. Thank you.

MS. PARKER: Mr. Chairman, I just want to thank the staff. I wanted to note that Tina came down from Seattle where she was in a car accident yesterday. We were very concerned about her, but obviously her dedication to the California Housing Finance Agency and this project -- I just wanted to thank her particularly for being here today.

MS. ILVONEN: Thank you.

MR. WARREN: Appreciate it.

CHAIRMAN WALLACE: Thank you. Okay, moving on to the next project, Dick. Linn. Sorry about that.

MR. WARREN: Yes.

CHAIRMAN WALLACE: When I saw Schermerhorn back there, it was just a throwback to the rougher times.

MR. WARREN: Referring to the former director of programs as a throwback, okay. Hi, Dick.

MR. SCHERMERHORN (FROM THE AUDIENCE): Hi, Linn.

RESOLUTION 02-27

MR. WARREN: Thank you, Mr. Chairman. Our next project is Woodglen Vista. At the September meeting, as the Board will recall, we had a discussion about refinancing our existing Section 8 projects. Soon after that Woodglen Vista, which is a project we had discussions with the sponsors about a year and a half ago, at which time he asked for refinancing, at that time we turned him down, and for a couple of reasons. We did not have a program in place to allow for the refinancing of existing Section 8 projects, particularly the coterminous ones that had a 40 year loan and 40 year HAP contracts; and at that point in time we had not worked through some of the risk issues that were involved with refinancing these Section 8 projects.

Since that time, as the Board knows, we spent basically a year or so working on the refinancing policy for the Section 8s and at or about the time that the Board reviewed that back in September, Woodglen Vista resurfaced. So at this juncture we think that we would like to see some more of these projects. We have addressed the risk issues. The programmatic and policy issues that were set forth in the guidelines back in September are embedded within the Woodglen

Vista credit presentation, and we will go through those in just a minute. But this is the first project of our portfolio through the system that reflects the refinancing guidelines that we discussed with the Board, and quite frankly, have been discussing with the Board for almost two years now.

The financing request is fairly straightforward. There is a first mortgage amount of $9,150,000, 5.9 percent interest rate. That is higher than our street rate because pursuant to the refinancing guidelines we will be charging a full spread on these refinancings. The second loan is $1.3 million, also at 5.9 percent, 16 years. This is, again, a Section 8 increment loan. Both of these loans are 501(c)(3) debt that will not be involving private activity bond or four percent credits. With that I am going to stop right there and let Roger Kollias of our L.A. staff describe the project.

MR. KOLLIAS: Okay. Woodglen Vista is an existing 199 unit family community in Santee, California. Santee is located in East San Diego County, approximately 19 miles east/northeast of San Diego city. It is served by two major freeways, State Route 52 and State Route 125. When these freeways are linked with State Route 67, Santee will enjoy direct access to seven regional freeways. The area is served by the County Transportation Bus System and the San Diego Trolley, which provides seven day service to the outlying communities as well as to downtown San Diego.

In the past Santee was considered a bedroom community of San Diego; however, of late it has been coming into its own. There is available land for development, an example of that being a 705 acre master-plan development known as the Town Center Project. This project has commercial, residential, civic and residential uses and the commercial is anchored by such tenants as Wal-Mart, Costco and Home Depot. The other major employers in the area include hospital, retail, biotech, education and government. The median 2000 income of Santee was $53,625. Average houses range from $200,000 to $500,000 with the average being at $300,0000.

Woodglen Vista is located on the west side of Magnolia Drive between Kerrigan Street to the north and Woodglen Vista Drive to the south. The area is predominately residential in character. Contiguous to the property to the west is Woodglen Vista Park, a municipal park. To the south across Woodglen Vista Drive is a grammar school. Approximately three blocks to the south along Magnolia Drive is the high school. There is neighborhood shopping one-half to one mile along Magnolia Drive in either direction.

Access to the property is by way of Kerrigan Street and Woodglen Vista Drive. Perimeter on-site parking is available for 266 vehicles. Here is a typical building elevation as we have here. This right here is the community building which includes the office, the recreation, the pool area. The site is comprised of 24 two-story walk-up wood frame and stucco apartment buildings, the breakdown of which is 44 one bedroom units, 96 two bedroom units and 48 three bedroom units. The project has been well maintained. Here is an interior view of the recreation room as well as the children's play area and the laundry room.

For underwriting purposes the rents on Woodglen Vista Apartments were underwritten at the 50 and 60 percent rent level. We have 20 percent of the units at 50 percent and 80 percent at 60 percent. There will be a regulatory agreement which runs for 50 years which will cover these requirements. The project also benefits from a Housing Assistance Payment or HAP contract which has a remaining term of 16 years. This --

MS. PARKER: Roger, excuse me. Why don't you just leave one of the doors open. I think the poor people will be fighting it if we try to make you get up and close it every time someone leaves. Great, thank you.

MR. KOLLIAS: The HAP contract runs for a period of 16 years. In sizing the two loans the first loan was underwritten utilizing rents at the 50 and 60 percent rent level. The HAP contract pays in excess of the 50 and 60 percent level so that incremental portion was used to size the secondary loan which will amortize in 16 years over the remaining term of the HAP contract.

MR. WARREN: I was negligent to point out there's a couple of small changes in your credit package which were passed out. On the Project Summary page you will see there's the Reserves at the bottom, which is shaded in gray; they have been changed. The change reflects that the initial deposit for the Replacement Reserve is $188,000 or $1,000 per unit. We also have a Transitional Operating Reserve which initially will be deposited; also $188,000, which will grow to approximately $400,000 in year 16 or approximately seven months worth of debt service at the time the Section 8 contract should expire. If the Section 8 continues, as we would certainly expect it would, either on a contract continuation or in vouchers, then the Transitional Reserve would not be required and the monies would be retained with the property for project purposes. The only other change that you will note is on our Cash Flows. You will see a line item which is basically a cash draw of $7,500 per year. That is to supplement the transitional reserve deposit to have it obtain the $400,000 level in year 16.

The purchaser of the property is Jamboree Housing of Southern California. This is an organization that is known to us. We have done one project with Jamboree several years ago. In the meantime they have done a number of projects throughout Southern California both on their own and as managing general partners. We are very pleased to have them as the purchaser of Santee.

The project, as Roger indicated, is in extremely good shape, it has been very well maintained. All the reserves that are with the project will remain with the project, and we have also budgeted $5,000 per unit for enhancements and any rehabilitation we may think is necessary to supplement the service program that Jamboree will bring to the project. We set that aside and we will be working with Jamboree in the future to determine how best to spend that amount of money, which would come out of existing reserves. So with that we would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: It's encouraging to see. This is an original project for us.

MR. WARREN: It is. It was 1975?

MR. KOLLIAS: It went into service in 1979.

MR. WARREN: In 1979.

CHAIRMAN WALLACE: It's encouraging to see that it worked. It's maintained. You don't have a lot of catching up to do. I guess our asset management folks are doing a good job monitoring all this.

MR. WARREN: Yes, they are.

CHAIRMAN WALLACE: Any questions from the Board?

From the audience? Good, it is nice to see us get into it and that the guidelines are working, Linn.

MR. WARREN: Yes.

CHAIRMAN WALLACE: The Chair will entertain a motion of some sort.

MS. BORNSTEIN: Mr. Chairman, I move adoption of the resolution.

CHAIRMAN WALLACE: Julie. You want to get your name in the books, Laurie?

MS. WEIR: Second.

CHAIRMAN WALLACE: Let's show Jeanne we can operate even in her absence. Second by Laurie. Any discussion on the motion by the Board or the audience? Hearing and seeing none, secretary, call the roll.

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

MS. WEIR: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-27 has been approved.

CHAIRMAN WALLACE: Resolution 02-27 is hereby approved. Okay, moving on. We have got a couple of contracts in Items 5 and 6 that we are going to be talking about. Precedent to that I would like to call on our legal counsel, Tom Hughes, because if I do not, the meeting will stall. Kind of set the stage for why we are doing this and the rationale and background for contract review.

MR. HUGHES: Right. Thank you, Mr. Chairman. I know that the Board is not used to seeing a lot of contracts come before it for approval. When we get to Item 7 on the agenda, I am going to give a brief update on our contracting approval process and where I think we can streamline that and make it a little bit more up to date.

But as an introduction to the two contracts that are coming before the Board this morning: Our statutes essentially require that the Board approve the issuance of debt securities, basically our bond issuances, and in addition to that, other major contractual obligations. We have ourselves defined, back in 1985, those major contractual obligations as contracts that expend over $500,000. When the amount of a contract is indeterminate, the regulation gives the general counsel the ability to determine whether or not a particular contract should come to the Board.

I have taken a pretty strict interpretation of this so the two contracts that we have before the Board this morning are both contracts in which the compensation is based upon, essentially, program volume, and to that extent the compensation is indeterminate, although they are based on fees that are defined in the contract but will be earned depending on program volume. After the two contract agenda items, then I would like to go back and update the Board a bit about where we are in our contracting process and to give the Board a heads-up as to what we are going to be pursuing next year. With that I think we can go into our two agenda items.

CHAIRMAN WALLACE: Very good. That's you on Item 5, Linn.

RESOLUTION 02-28

MR. WARREN: Thank you, Mr. Chairman. About a year ago when the legislation was passed by Congress which allowed refinancing of old HUD 202 projects, a momentum was really beginning to develop among the industry to address these old 202's and recapitalize them and refinance them, and the Agency felt that this was a very important role for us to play.

(Chairman Wallace exited the meeting room.)

At the time, though, we certainly had concerns in a couple of areas. Number one was capacity and two had to do with dealing with HUD. This was a brand new series of guidelines for HUD, they were finding their way--and still are, one could argue--on these projects. So we searched about for, basically, a contract underwriter or partner to help us with underwriting and marketing the 202 program and to help us with HUD. Somewhat of a unique role. Most of the normal lenders do not have the HUD experience; or if they have the HUD experience, they do not have the ability to look at the financing.

We began discussions with Ziegler mid-year and began to develop some preliminary guidelines. Basically what the contract is for is that Ziegler Financing Corporation, which is a national organization, both as a bond underwriter--although that will not be their role in this particular case, they will merely be a lender and contract underwriter--will be to market the Agency's 202 program. They will underwrite the property; they will evaluate the physical needs assessment; they will underwrite the borrower, because these nonprofits need to be looked at as far as their own financial capacity; develop credit packages for the Board which we would in turn bring to the Board or if they fall under our delegated amount, approve internally by the senior staff loan committee; and then assist the Agency at close.

The actual funding, however, will be a normal

CalHFA funding process. This is not a DUS relationship. They will help us up to the funding close, and at that point in time the Agency's normal loan close process will take over and we will complete that. Then after that we will service the loans as we normally do and we will also have asset management. So it is a departure from a DUS-type situation in that the work that Ziegler will do will basically end at the loan close.

But that said, these are fairly complicated deals, we have lots of issues we have to deal with with HUD. Ziegler's main office for their FHA insurance is located in Bethesda and their staff has direct relations with HUD folks there and we find it to be very valuable. So we have elected to use Ziegler as the only contract underwriter, only for the 202 program since it is a very discrete population, and to help us over the next two years to try to work on this portfolio. They will be compensated in the amount of 1.25 percent, which is basically paid out of loan proceeds. That will be an all-in cost. The Agency may advance funds on a periodic basis but generally speaking they would be paid out of loan fees and out of loan proceeds at the time.

We think this is a good partnership. We have done some guidelines with Ziegler. We think this is going to be a very good program for the 202s and it leverages our capacity to outreach more projects. So we would like to ask approval.

And again, for the reasons that Tom indicated, the contract limits amount put us in a situation that we want the Board to view these and, obviously, ask for approval. So with that I'd be happy to answer any questions.

MS. HAWKINS: Thank you. Are there any questions from the Board? None.

MS. PARKER: Carrie, since you don't have a quorum I don't know that you can take action on this.

MS. HAWKINS: Yes, that's right.

MS. PARKER: I'm not sure whether it would be expeditious if Nancy could do her presentation and then when Clark came back, you could -- That would be a suggestion.

MS. HAWKINS: Okay, thank you. I thought we had one extra but we don't.

MS. PARKER: No. Unfortunately, when Lupita came -- We would like to make sure that we welcome Lupita. It does not happen very often that you have the three ex-officios sitting that do not have the ability to vote. Much as I would like it but Annette, Lupita and I cannot help you out there on a quorum for voting.

MS. HAWKINS: Okay, thank you. Let's then proceed with Terri's suggestion. There she is.

RESOLUTION 02-29

MS. ABREU: Thank you very much, Carrie. The Agency is seeking authority to negotiate and enter into a contract with General Electric Mortgage Insurance Corporation, which is known as GEMICO, to provide reinsurance services and related automation to the Agency's mortgage insurance division.

As some background and kind of consistent with what we have talked about in the past: We have spent the last several months reviewing the processes, procedures and operations within the mortgage insurance group and as such elected to terminate the current reinsurance treaty we have with Hanover as of December 31. We are only able to cancel it on an annual basis, so we felt that it was very critical that we put them on notice and effectively cancel it at the end of the year.

We also felt as part of the review that a lot of the technology that we were using within mortgage insurance services was very antiquated, and we could not retrofit it in a timely manner to continue our current flow of business, let alone expand it going forward. So we elected to distribute solicitations or requests for proposals on July 1 to five of the seven private mortgage insurance entities asking them to provide us bids on both reinsurance and automation of some of our processes.

The bids were reviewed by a senior management team that included myself, Tom Hughes, Bruce Gilbertson and Dick LaVergne. We also retained a gentleman named Ken Bjurstrom who works with a company named Milliman USA who is a national renown actuarial company and consulting firm. Ken and his team's expertise is in mortgage insurance so we asked Ken to join our team and to advise the Agency as to the best structure of the bids and which one, from the economics, made most sense.

Both the team and Ken made a recommendation to Terri towards the end of August, first part of September, that we select GEMICO as our reinsurance partner going forward. We have had some discussions with GEMICO. They were notified in September that we have chosen them subject to Board approval, and we have started some discussions with them on a go-forward basis subject to the approval we are seeking today from the Board.

MS. HAWKINS: Thank you, Nancy. Are there any questions from the Board?

MR. HUGHES: As we wait for our chairman to get back I can probably launch into my discussion of the contract approval process in general.

MS. HAWKINS: Okay.

MR. HUGHES: Then we can do the votes on the two particular resolutions. Before I do that I should -- Linn having introduced his new folks, I should introduce that we have a new person too in Legal, which is Misty Miller. Misty is a new legal assistant, and she will be backing up JoJo, who we have learned cannot be at all places at all times and do everything, so we have a little bit of extra help. I would just like to welcome her. You may, as Board Members, have an opportunity to talk to her at some point as well.

PROCEDURES FOR APPROVAL OF CONTRACTS BY BOARD

With respect to our contracting process: As we have looked at some of these things, it's occurred to us that it may have been quite a while since we have discussed what our procedures are with the Board. So in an effort to make sure that the Board understands how we are handling these things, I thought I would take just a couple of minutes to do an update and to also give the Board a heads-up as to how we would like to handle some of these matters in the future.

As I mentioned earlier, our statute requires that the Board approve our bond issuances and other major contractual obligations. Back in the mid-80s, by regulation, we defined those major contractual obligations as contracts that expend $500,000 or more. The regulations further give the general counsel a certain amount of ability to do interpretations of this statute and to determine when a contract should come to the Board or not.

There are many issues that might be subject to that type of interpretation. You can see that a contract may expend $500,000 over a period of years. Over the ensuing years there are many other situations in which contracts might expend $500,000 that might not be completely intuitive. As we looked at some of the examples of contracting, a single family REO property that we take back, as we get into high-cost areas, might be worth $500,000 or more. And rather than come back to the Board, which of course meets every other month, for every single type of contracting authority that might technically be required, I have been looking at an alternative method.

The Board at the beginning of each year at the January meeting does actually approve a wide range of contracting. Our bond resolutions in both the single family and the multifamily side both contain provisions that authorize virtually any kind of necessary contracts to implement those programs. I was looking at them this morning and, for example, on the single family side the Board authorizes the Agency to enter into the servicing contracts, contracts with lenders, so on and so forth. The same is essentially true on the multifamily side. Virtually every kind of agreement that could be entered into in the implementation of those lending programs is, in fact, covered by those broad resolutions.

We would really like to take the same approach with respect, not only to these two bond-funded lending programs but with respect to other operational needs of the Agency, the mortgage insurance operation, and also the normal operational contracts, when we pay insurance premiums, amend our leases. The kind of normal operational contracts that we would anticipate entering into in every given year.

So rather than having the general counsel sitting there trying to guess which contract should or should not go to the Board, I think it would make a certain amount of sense to bring to you each January a resolution that would cover the type of routine operational contracting that we think might at some point exceed the $500,000 level and to get a broader authority to do that over each year.

I would point out that that the discretion in terms of bringing these back to the Board would probably -- in most cases it would either be contracts that we have not managed to identify on the resolution, or it would be matters that we simply think the Board really would want to know about, things that are so significant that we really think we should. A good example of that was the G.E. contract. When we looked at that, we decided that regardless of whether we had authority to do that, we wanted the Board to know what we were doing in the reinsurance area so if the Board has any questions we can answer that.

(Chairman Wallace returned to the meeting room.)

So there is no action item here this morning, but we would anticipate at the next January meeting bringing you back a resolution that would pretty much cover our routine contracting authority in areas where we think over one year or a period of years we might exceed that $500,000 threshold.

CHAIRMAN WALLACE: Questions from the Board? I sense Carrie coming on.

MS. HAWKINS: Yes. I think that sounds like it makes good sense. When you say you would bring before the Board any expenditures that would exceed that, I think that would then cover the fact that if direction was going to change from the Agency --

For example, in the past -- I'll just give you an example of what happened. There was a period of time way back when the Agency was going to expand its servicing portfolio. Well, it became very sensitive because this would then compete with the private mortgage bankers. And the reason it came up was because the servicing software and the programs were going to cost more than $500,000. So the purchase was split in two. Therefore, the Board would never be aware of it if it was split in two.

That kind of thing can occur and then it would become very sensitive. Because once our clients would become aware of this, this would become very much of a problem as if we were competing with the companies we were serving in the private sector. So I just -- It sounds like what you are saying is, you will tell us in advance regarding the nature of this so therefore we can make a decision at the Board level.

MR. HUGHES: Yes. Rather than resort to methods such as the one that you have described, I think it would make more sense to simply lay out those areas in which we feel we might need that contracting authority. We would, obviously, not be in a position at the beginning of each year to give you each and every contract. We would lay out the areas and the type of contracts in a broader sense, much like the two resolutions that are before us today that would give the Executive Director the authority to enter into those particular types of contracts. So I think that's correct.

CHAIRMAN WALLACE: In the post-Enron era, boards are being scrutinized. So I think as you look at this -- Scrutinized for not having appropriate oversight. So we need to be sensitive to that. On the other hand, Tom, I guess if we were to approve, you were to decide or our current regulation, if we were to approve every contract that aggregated in excess of $500,000, that is all we would be doing. So my sense is, maybe you will need to look at that number. That is a 1986 number. It probably pales by comparison to what a relative number might be today.

But I do think we need to be -- And I think you are on the right track. We give Carlson and Terri huge authority in the bonding area, now three continuing resolutions each year, as I recall. I think it is appropriate that we do something similar here because we should not be involved in the administrative trivia of implementing type contracts consistent with existing policy.

MR. HUGHES: I think that's correct. Also, of course, the Board continues and will continue to review our annual operating budget and will see the total expenditures that we are making during the course of years.

CHAIRMAN WALLACE: Yes, but that still. There's going to be certain types where we are cutting new grounds. Maybe the General Electric thing is that sort of a thing where it may be affecting policy. Then I think we need to see it.

MR. HUGHES: Right. And I think we are quite sensitive to that. We would like to make sure, though, that we have the broad authority as we need it to enter into operational contracts and not have to wait every two months to try and do that and/or burden the Board with significant amounts of what are basically routine approvals.

MS. PARKER: Mr. Chairman, let me just add to that. We have had a lot of discussion among the staff about this because we recognize that to a tremendous extent we have, I have, a day-to-day sense of operating authority. But we are also mindful about, to some extent, the privilege that we have, that it's a trust with the Board. That every day, in that sense, we have to look at the work that we have and look at it from the standpoint as a Board Member. Is this something that we believe the Board needs to know about? If we violate that trust that would undermine, in that sense, our ability to operate with the flexibility and the freedoms that you have given us. We hold that trust. We expect, in that sense, to honor that by bringing issues that we think are important for you all to know about and make sure that they are presented in ways that it just doesn't get slipped through. The things that are important for you to know from a policy basis, that you are aware of them.

CHAIRMAN WALLACE: I think we are on the same wavelength. So you will be back in January with some kind of proposal. Right now is it general counsel has the authority to--almost discretion--under our 1986 resolution?

MR. HUGHES: Well, it is actually regulation.

CHAIRMAN WALLACE: Regulation.

MR. HUGHES: There's really two areas, probably. One explicitly where the general counsel, in the event that the compensation or the amount under the contract is indeterminate, the general counsel is given the power to determine whether that comes to the Board or not. Which I think really means that the general counsel is supposed to in some way guess whether that amount will exceed $500,000 or not. And then another section of the regulation essentially gives the general counsel the power to issue interpretations of the statute. You can see that there may be issues whether a contract is for a single year and then is extended for a term of multiple years or runs for multiple years. There is probably operational pressure in that event to try and get the deal done. Whereas, from my point of view, a more sensible approach would be to simply lay those matters out to the Board at the beginning of each year and let us have the authority to deal with it as needed.

CHAIRMAN WALLACE: We will look forward to seeing what magic you can bring out of all this.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Yes.

MS. HAWKINS: I wanted to make it clear it was several directors and lives ago that the example came up. I want to make sure it does not reflect on Terri Parker for certain.

MS. PARKER: Mr. Chairman.

CHAIRMAN WALLACE: Do you accept that?

MS. PARKER: I was going to move on and say that we have two items that we need your votes on as a quorum.

CHAIRMAN WALLACE: No action on Item 7, let's back up to Item 5. Is there any discussion as a result of that presentation? Are you ready for -- Was there a motion made?

MS. WEIR: There was no motion made.

CHAIRMAN WALLACE: No.

MS: WEIR: I have a quick comment.

MR. WARREN: Yes, please, Laurie.

MS. WEIR: I noticed that the contract is a -- The consultant will only get paid if the deal ultimately goes through. In my line of work we see a lot of that. Every now and then we do see the desire to sort of push that project, particularly on these kinds of financings where there are layers of financing and they are complex financing. There may be a time when the consultant might put in a real considerable amount of time and we will need to back off of the project. So at the end of the day I think CalHFA staff needs to make sure that the projects that are going forward are not the square peg being forced through the round hole, but that they really are the right projects to go forward.

MR. WARREN: Yes.

CHAIRMAN WALLACE: You are not uncomfortable, Linn.

MR. WARREN: Not uncomfortable. We understand that these are complex and Ms. Weir is exactly right. But they have to meet the program guidelines, and they have to follow our normal underwriting and the Board has to approve them or the Agency has to approve them. So there are a number of safeguards in place.

CHAIRMAN WALLACE: Okay, any further comments from the Board or the audience? The Chair will entertain a motion of some sort.

MR. SHINE: Moved.

CHAIRMAN WALLACE: Jack.

MS. BORNSTEIN: I'll second.

CHAIRMAN WALLACE: And Julie. Here we go again, Jack and Julie went down the hill. Over the hill. Jack, not again? No, don't go there. Okay. We do have a motion. Any discussion on the motion by the Board or the audience? Hearing and seeing none, secretary, call the roll on Item 5.

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

MS. WEIR: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-28 has been approved.

CHAIRMAN WALLACE: Resolution 02-28 is hereby approved. Moving on to Item 6 on our agenda. You had discussion but, I take it again, no motion. Any further discussion on the item as presented by Nancy?

MS. NEAL: Mr. Chairman.

CHAIRMAN WALLACE: Yes.

MS. NEAL: I move Resolution 02-29 be approved.

CHAIRMAN WALLACE: Moved by Pat.

MS. HAWKINS: I'll second it.

CHAIRMAN WALLACE: Second by Carrie. Any discussion by the Board or the audience on 02-29? Hearing and seeing none, secretary, please call the roll.

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

MS. WEIR: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-29 has been approved.

CHAIRMAN WALLACE: Resolution 02-29 is hereby approved. Moving on then.

U.C. STUDENT HOUSING FINANCE PROGRAM

Back on to the agenda, Item 8, the U.C. Student Housing Finance Program, which we heard a little bit, or hints of, last meeting.

MR. WARREN: Yes.

CHAIRMAN WALLACE: And now more meat on the bone, Linn?

MR. WARREN: Yes. If I could ask Gordon to join me. I would like the Board to meet Gordon Schanck. Gordon is the director of Real Estate Services Group for the Office of the President, University of California. Gordon, in conjunction with Randall Young, has been involved with the development of the privatized housing initiative for the University of California campuses.

As the Chairman correctly indicates, at our last Board meeting we brought up the potential for the Agency to finance privatized student housing on U.C. campuses through the U.C.'s privatized leasehold program. So let me give you a little bit of background as to why we are here. I want to reserve the time we have for Gordon to describe the program and why U.C. has adopted this model, and why we all think that this might be an excellent partnership between the University of California and CalHFA.

Traditionally the Agency looks at initiatives across the board. We use our financial strength to enhance programs and this works in the area of special needs, HELP and preservation. Wherever the unmet need is we try to apply our financing strengths to enhance and improve the project. So we have a long history of doing that. But interestingly, when we began the discussions with Gordon and his staff -- Also here today is Al Bonnett who is the director of development for EAH, a nonprofit in Marin County. Al and his organization have actually done some student housing initiatives with U.C. and Al is here to answer any questions you have in that area.

But what we looked at: One of the issues that the University of California has is an effective financing mechanism to deliver 501(c)(3) debt for the development of these projects. On a permanent basis the University is gravitating towards nonprofit ownership/development for some very good reasons. One of them being that the profit that a for-profit developer may take, take those out, they can go back into the project in either lower rents or increased quality. And Gordon can probably address this better than I in the future.

But one of the things that the Agency brings to this particular project is our very effective delivery of 501(c)(3) debt. We do it better than anybody else in the state in a pooled bond issue and arguably as well as anybody in the country. We think that is a benefit the University can take advantage of. By our estimates, at this juncture with some of the underwriting that we have done we can save at least ten percent if not more off total development costs through our financing and that money would be translated into lower rents for students and/or higher quality of the projects.

In reading the U.C. materials I think our goals really are aligned. The University wants to see these complexes. And again by way of background, these are apartment complexes for upper-division graduate students and married students. It is not freshman dormitory housing, it is actual apartment complexes of, what we think, very high quality. The University wants to see their projects built to 40 year-plus useful life. Their design standards are very rigid, so are ours, so we think we are on the same page as far as the design quality.

It is a bit of a departure for the Agency but we also think it is an effective use of our resources. One issue that did come up at the last Board Meeting was the matter of affordability. I will take one moment to address that and then turn the mic over to Gordon. We do have our standard 20 percent at 50 percent set-aside, and that holds true for all of the lending that we do, whether it is Section 8 or new construction.

We believe, however, in reviewing this with bond counsel and with Tom's shop, the general counsel's office, that we can meet the affordability on a per bed or per bedroom basis. In other words, the affordable students would be spread throughout the project and not concentrated in individual units, which we think would be counterproductive anyway. This would be specific to this program.

Obviously, it cannot be applied to normal lending programs. But we need to spend more time on the issue to see if we can find legal clearance to do so. But the preliminary indication is we can do it this way. And since income calculations do not include financial aid for students, if you take that out of the income mix, then the University has indicated that at any given point in time the 20 percent set aside could be met by the students that reside in these complexes.

But as I said, that will require some more work with us and our bond counsel. So we think that may solve the affordability issue and we certainly think these types of loans would be a good use of our resources. We certainly feel there's benefits and they would help us generate income to do other programs. So with that I am going to stop and let Gordon talk about the program and how U.C. came here and why they selected this particular model.

MR. SCHANCK: Thank you, Linn. I want to really thank the Board for taking some time to hear about our program today, and we really appreciate Linn Warren's consideration and creativity in looking at a way we can work together, U.C. and CalHFA.

As I am sure many of you know there is quite an increase in student housing demand, what we call the Housing Echo or Tidal Wave 2, the baby-boom generation's children. We have rapid increase in the number of students at the University, approximately 62,000 students over the coming decade through 2011/2012. A 38 percent increase in the number of students on our campuses.

In responding to this need, as I think you heard at your prior meeting, had a housing task force that looked at the problem, solutions to the problem and the program we had been evolving to do privatized as well as develop our own housing. Pat Neal was part of that task force.

Among the things the task force determined was how many additional beds we would need for our students. We talk in terms of beds in student housing. For our single students, obviously on a per-unit basis; for married and family students and where you would have one or two beds per bedroom, typically in a complex, usually a mix of two, three, sometimes four bedroom units. Some singles in the mix for upper division students, particularly graduate students as well.

In any case, we determined a need for nearly 40,000 beds of additional housing through 2011/2012. Of that we feel we need 18,000 to be delivered through our privatized housing model. This is development of housing on a ground lease on our campuses on our land, which is entitled, under our long-range development plan on each of the ten University of California campuses. So again, a significant percentage. About 45 percent of the additional beds we feel we need are going to come through this privatized program. And again, these will be the apartment-style housing that Linn described.

We currently have six completed projects through the evolution of this model as old as 17 years ago. I think Davis started with some married and group housing on this model. But more recently we have evolved into, again, the single student housing, apartment-style housing. We have three projects currently under negotiation that will comprise a total of 3,400 beds. Again, multiple students in a single apartment. Much the way students rent housing in the community surrounding our campuses.

So anyway, there is a need for more student housing, not only on our campuses but off our campuses. If you look at the numbers, 63,000 students and 40,000 beds, we are already behind on housing. Many of our communities are impacted by our presence, their housing stock is impacted, and, of course, we are in communities where it is very difficult to add additional housing stock off campus. Though we would welcome that because there is a need for more housing than we are going to be able to provide through this model.

There are six principal reasons we use the privatized student housing model to supplement our own on-campus housing programs. The first is that it does not add debt to our balance sheet. Our model is an arm's length transaction so it is very important for us, given the programmatic needs we have that go beyond the bond support that we get from the State and gifts from our donors, that we keep our debt capacity available for that as well as for our portion of the housing program.

Secondly, any additional beds that come on a privatized basis do not result in an increase in our current rates. In other words, if the average cost of new housing is more than existing on a per-bed basis. And, of course, we try to level our rates across the system or across any campus. We do not need to raise existing rates. The University does not have to take construction or operating risk on these projects; again, they are arm's length.

(Tape 1 was changed to tape 2.)

There is potential construction cost savings. Our core competency is not in doing stick-built two- and three-story apartment-style housing. In the housing area it is more the high-rise, higher density dormitories with food service. It avoids getting us into a new business for those campuses that don't currently have apartment-style housing. And then finally, we feel there is a potential operating cost savings overall. These factors can result in lower rents to our students. Of course, affordability of the university experience is something that is an important goal for us.

Again, our goal is to do arm's length, ground leases between the University and a private development team which will design, finance, construct and operate apartment-style student housing on our campuses.

We typically select the development team through an RFQ/RFP process. We have come to prefer working with nonprofits, although some of our early projects were fully for profit projects. We find that our goals are more compatible with nonprofit entities. We certainly do not rule out the for profit sector but there is more of a confluence of goals in terms of our affordability and quality goals. Secondly, of course, the opportunity through public finance, tax-exempt financing, to lower the overall carrying cost of the units and therefore lower rents.

The nonprofit partner who is ultimately the owner of the project may partner with a for profit developer, particularly for a larger project, to lead the construction effort. But typically, of course, there would be nonprofit ownership to qualify for this financing. The University refers students to the project. We are very involved in quality control as any ground lessor is with their property. But this is an arm's length transaction and we do not guarantee occupancy, we do not guarantee the performance of the project. But obviously we look very closely before a project goes forward and take a ground lease to our Board to make certain that a project is viable.

We look at -- These projects, again, are targeted at single students because of the apartment mix, but we will do some family or married student housing in this program. While student demand is very strong, I should also note that many of these projects are developed on campus and on the periphery where they would be accessible to the general public. Should student demand ever flag over the life of the ground lease they could be rented to the general public. Our ground leases provide for that. With that I will turn it back to Linn and any questions you may have about our program.

MR. WARREN: Thank you, Gordon. I think that summarizes it. The site selection and underwriting are really critical for us in reviewing this with Gordon and the staff. How they view these sites pursuant to their long-range development plans on each campus is critical. And Gordon puts out an interesting point. That many of these sites are in the non-core area. They are on the periphery of many of the campuses with near traffic ways. And one underwriting consideration, as Gordon correctly points out, is if for some reason, and I don't think it is likely but possible, that student demand may fall off, given the quality of these projects is that outside rental is a possibility as one safety valve.

What we are asking for today is--obviously as you see it is not an action item--input from the Board. We would like to proceed to begin to work out some of the details. The devil is always in the details. We would want to start to flesh out some of these programmatic issues, work through underwriting considerations, throw in legal issues that we have with both bond counsel and our affordability issues. Perhaps in January we shall have a sense of how these projects would fully underwrite. We would have to work out construction period risk, who would be a construction lending partner, all of the details we have to work through.

The underwriting is actually very interesting because there is a seasonality to it. As I said in the last Board Meeting, there is a bifurcation between graduate students and upper division, the married component, the public sector component. So it is a very interesting underwriting exercise and we have made some good strides in the area. But we would like to ask the Board to go ahead and proceed with at least further explanation of this initiative and see where it takes us.

CHAIRMAN WALLACE: It's a great idea. As we said, I think, subject to the details. I understood last meeting it was just Berkeley. But it is all nine campuses or soon to be ten?

MR. SCHANCK: Well, essentially all ten. UCLA probably would not have any available land, and they have a very strong on-campus housing program and a very large housing off-campus component.

CHAIRMAN WALLACE: But it's all --

MR. SCHANCK: Certainly Santa Cruz, Irvine, San Diego, Merced, Riverside. Davis very active in this program.

CHAIRMAN WALLACE: I'm a graduate of Berkeley and it seemed crowded when I was there 50 years ago. I don't know where you are going to put them but assumedly you could.

MR. SCHANCK: One of the three projects I mentioned is at Albany Village. We have our own housing projects there but there will now be a privatized project developed there.

CHAIRMAN WALLACE: It's a great idea.

MR. WARREN: It might be worthwhile just to mention size. I think, Gordon, you indicated that the University is gravitating towards relatively smaller projects. Maybe comment on that to give the Board a sense of the total development costs of some of these.

MR. SCHANCK: Well, we do have three projects now that are on the order of up to 1,500 units. Well, over 1,000 beds apiece, obviously, 3,400 units. Let's see, 500 units in the Irvine project.

MR. WARREN: Right.

MR. SCHANCK: Those projects are as high as $100 million. We are finding that is pretty hard to do. We have a huge need, so obviously there is a focus to bring a lot of housing on as rapidly as possible. But I would see our future projects being smaller. Historically they have been smaller, in the $30 million to perhaps $50-60 million range.

CHAIRMAN WALLACE: You were saying two and three stories?

MR. SCHANCK: Typically.

CHAIRMAN WALLACE: As opposed to the high-rise dormitory. Is that what you are contemplating?

MR. SCHANCK: Again, this is apartment-style housing.

CHAIRMAN WALLACE: Right.

MR. SCHANCK: Typically stick-built housing.

CHAIRMAN WALLACE: Yes.

MR. SCHANCK: And it would be two and three story. Our projects at Albany Village and Irvine, that's what we are looking at. We do have a project, we are looking at San Diego, which is a mix of, I think, five up to eight story. But it is still apartment-style housing. It is just a denser location on the edge of that campus but very close to the core.

MR. WARREN: That's right. It is mid-range density depending upon the site. If you get an opportunity to look at the --

CHAIRMAN WALLACE: How many units per quote/unquote acre?

MR. WARREN: I knew you were going to probably ask me that. I don't know. I am going to say 24 an acre.

CHAIRMAN WALLACE: Yes.

MR. WARREN: I would say mid-range in there. But Gordon is right, for those campuses that don't have land, we are looking at higher density high-rises. But Davis, for example, has land, as I understand it, which might have a lower density.

MR. SCHANCK: Yes. Davis would be more like 20 per acre.

MR. WARREN: Probably.

MR. SCHANCK: Irvine. Al, you may know because you are working on that project. Pushing, what, 28 or 30?

MR. BONNETT (FROM THE AUDIENCE): That's correct.

MR. SCHANCK: Per acre?

MR: BONNETT (FROM THE AUDIENCE): That's correct.

MR. WARREN: Yes. Which is mid-range for us and that is pretty typical for the stick-built. So that is the design that we normally see anyway.

CHAIRMAN WALLACE: Albany Village is actually in Albany, off campus, but owned by the Regents?

MR. SCHANCK: Right.

CHAIRMAN WALLACE: It has been there a long time.

MR. SCHANCK: It's off San Pablo and Buchanan.

CHAIRMAN WALLACE: Yes.

MR. WARREN: That is the area.

CHAIRMAN WALLACE: That is also my concern. On campus at Berkeley, for example, that is not necessarily where you are talking about building this, it's some off sites nearby peripheral owned by the University.

MR. WARREN: I think it's a combination of both.

MR. SCHANCK: Right. Right. There are some sites in the Berkeley community that are currently parking that may be looked at for this kind of program that are off campus but within walking distance.

CHAIRMAN WALLACE: It is tough to get to the basketball game on Friday night and find a parking place as it is. Put it down by Division of Forestry or something like that.

MR. SCHANCK: I've looked at that block many times and thought rather than growing corn there we should have students. It's coming.

CHAIRMAN WALLACE: Well, throw it on the north side by the architecture building. They need revamping anyway. In any case, it is a terrific idea, I think.

MR. SCHANCK: Of course, at Davis, Riverside and Irvine we have a lot of land available for this kind of use.

CHAIRMAN WALLACE: Santa Cruz.

MR. SCHANCK: Yes.

CHAIRMAN WALLACE: Well, I, for one would love to see something like this, assuming, Linn, we can get through all the details that you are talking about.

MR. WARREN: Yes.

CHAIRMAN WALLACE: It is a great concept. You must have your fingerprints on this too (referring to Ms. Neal).

MR. WARREN: Well, we have the benefit that the project that Al is working on with EAH, the Irvine that Gordon referred to, is that we have asked that if we could proceed with this, we would basically shadow that process even though we would not be involved in it, I think. To shadow the process and learn as much as we can about this with the hopes of opportunities coming up and going forward.

CHAIRMAN WALLACE: Is it done elsewhere? Is this a brand new model or are other schools doing this?

MR. SCHANCK: It's done all around the country but our model is different than where it is done anywhere else. In fact, when some of the large student housing developers come into the state, they have to adapt to our arm's length situation. We do not do it with a captive university-run foundation. In part because of the balance sheet concern, and in part because we have a strong enough market for the housing that it can stand on its own.

CHAIRMAN WALLACE: You will never be able to meet the demand in Berkeley, for example. Jack and then Pat.

MR. SHINE: I'll defer, go ahead.

CHAIRMAN WALLACE: Pat and then Jack.

MS. NEAL: It is very exciting. Gordon, what, about 14 months we were together on the task force?

MR. SCHANCK: A-ha.

MS. NEAL: Pretty exciting work that we did. And some of the projects that we looked at all over the state are really fine products. I am very excited that we have the possibility for CHFA to be involved in this.

CHAIRMAN WALLACE: You mean CalHFA.

MS. PARKER: Only if we call ourselves CalHFA.

MS. NEAL: Okay, CalHFA.

CHAIRMAN WALLACE: You won't be the last. Jack.

MR. SHINE: I think this is a very nice way to house students. I was personally involved in some of those things in San Luis Obispo many years ago. But I go back to the discussion we had at our last meeting which is an issue that I think we need to address. That is, number one, where is the money going to come from? And number two, are we set up for doing that? And number three, is it in any way directly or indirectly going to take away from anything that we are doing or trying to do both from the staffing and the financial point of view?

CHAIRMAN WALLACE: All good questions.

MR. WARREN: Those are good questions. I think from a financial standpoint--and if Ken is still here he can address that--but certainly since these are 501(c)(3) debt, my sense is we certainly have the capacity to raise that in the bond markets. That should not be a particular issue. As far as capacity, Jack, we have looked at that. These would add up to probably two projects a year, for example, and we do 30 to 40. And although they are large and fairly complex, our sense is, and our history has been, when you are dealing with experienced sponsors -- and although the University is not guaranteeing this, they are going to be involved in the process.

They go more quickly and with some greater degree of ease than smaller, more difficult projects. The staff has grown over the last year, we have grown to meet the demands of our existing programs and we have grown to meet the demands of new initiatives. And I think that is part of what we do. So as I said at the Board Meeting last year, we are not going to do initiatives that will detract away from our mission. But that said, we are also going to find a way to do high quality initiatives and manage the resources to meet the need. So two projects a year with the staff we have, quite frankly, I think that is doable.

MS. PARKER: Mr. Chairman, let me add a little bit to this discussion because we are looking at a number of things that we are doing, particularly implementation of our additional responsibilities under Prop 46. We appreciate the comments that you have raised, they have been raised many times by your colleague, Mr. Klein, who is not here today, about whether or not the Agency has the resources and the capacity. Let me just tell you that we are also working on looking at our organization.

We have a new staff person that is working with Jackie, Victor James who is here, who is actually out of the legal shop, looking at our classifications along with a consultant. More than likely we are going to be needing to go and talk to our colleagues in other parts of state agencies about our classifications, our salary levels, to make sure that we have the kinds of expertise that we need across the Agency to take on these more entrepreneurial types of activities. That is what we are planning on doing. To the extent that we do these types or additional types of entrepreneurial activities, we need to make sure that we have the resources and the expertise to carry them through.

MR. SHINE: When you say *resources*, you are talking about personnel?

MS. PARKER: Right.

MR. SHINE: Or are you talking about available cash to underwrite the cost of new personnel? And if so, where does that come from, and does that in any way take away money that we might want to use for other things to fulfill our mission of getting families in homes or housing?

MS. PARKER: Obviously, each one of the entrepreneurial activities that we would look at there would be costs associated with them and there would be funding. Some proposals that have come forward do not necessarily pay for themselves. We often talk about the teachers home lending program that we do as one of those examples but we think that has good public benefit to it.

But that is not the case in this particular situation. The Agency would be covered for what its expenses would be, in that sense, personnel. I think Ken can talk with you about the financing and risk to the portfolio but we would certainly be compensated for the personnel. The question that really remains is whether or not we need to cover the expertise through hiring outside consultants or whether we use in-house personnel to take care of it.

MR. SHINE: Both of which have costs. I take it what you are saying then is that the projects when they come in would in some fashion underwrite it.

MS. PARKER: Absolutely.

MR. SHINE: Whether they succeed or fail, whether we fund them or not --

MS. PARKER: Right, yes.

MR. SHINE: -- there would be a G&A component to it.

MS. PARKER: Right. And the other thing for you to know too. That certainly is the discussion that the Board has every year when it adopts its Business Plan. We go through all of the available resources and look at what activities we could do. And to the extent that those add or detract or compete among one another, that is the time that the Board gets to essentially decide what direction that they want staff to follow through on.

MR. SHINE: And you do not feel that our ability to raise money based upon the credit standing that we have, by virtue of taking on these projects, would then reduce what we could do elsewhere. If this would be an addition to everything that we could borrow, and absent this project we would be in the same shape, that's one thing. Maybe I am not coming across correctly.

MS. PARKER: This is not a take-away from something else. This is on the margin. Something more that we can do.

MR. SHINE: And how many units a year? If you have a two bedroom apartment that is a four man apartment, right?

Is that what you are talking about?

MR. SCHANCK: Four-person.

MR. SHINE: A four person apartment, *excuse moi*.

CHAIRMAN WALLACE: Don't go there.

MR. SCHANCK: It can be.

MR. SHINE: So how many --

MR. SCHANCK: For graduate students, if we were targeting graduate students with a single bed per bedroom it could be two, it could be four.

MR. SHINE: How many units per year in these couple of projects then is it your anticipation that would result if we do this program that you are talking about?

MR. WARREN: If the size goes down I would say between 400 and 800.

MR. SHINE: So you would be taking 400 to 800 units of this type of financing and it would have no impact on our ability to do what we are doing anyway. With or without.

MR. WARREN: Jack, it might be good if Ken can address the financial capacity to raise the debt for this. That might go to the question of can we develop the financial resources to fund these things. Is that the basic question?

MR. SHINE: Yes.

MR. WARREN: If not, you can ask another question.

CHAIRMAN WALLACE: Ken.

MR. SHINE: It's just a yes or no answer. You guys know what you are doing. I am just asking kind of an overview question. If we have **X** dollars a year of credit, does any of that get reduced by our going to the market for this kind of debt? And if it does not, great; if it does, then it does.

CHAIRMAN WALLACE: Ken.

MR. WARREN: Ken.

MR. CARLSON: Mr. Chairman.

CHAIRMAN WALLACE: Yes or no?

MR. CARLSON: Well, the good news is that multifamily lending is supported by the general obligation of the Agency, which is rated in the low AA categories by both Moody's and Standard & Poor's. We are working with Standard & Poor's now having them analyze our whole existing portfolio to determine how much of a capital haircut we should be getting for it. And I think what this will greatly do, once they see the particulars about the kind of lending that we have done in the past, is we will free up more capacity on our part to do more lending for multifamily. And this is, in many ways, just exactly the same kind of lending we have done all along; it is just larger individual projects.

I think multifamily is an area of our business that we have tried to grow, and we have run up against some impediments to that growth in trying to compete with the private sources of credit enhancement and private sources of lending that are there all the time. I think this is a much better partner for us and a much better way for us to grow without really cutting in on and without having to take projects away from the normal sources from which they obtain their financing.

MR. SHINE: So in the aggregate at the end of the day we will be doing more than we might otherwise because of this kind of project, in your opinion?

MR. WARREN: That's right.

MS. PARKER: Yes.

MR. CARLSON: I think Linn will agree to that. It will increase our volume of business.

MR. WARREN: I think that is true. And I think, as Ken indicated, the financial capacity to raise debt should not be impaired.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: As I understand it, it is actually a niche that we probably should be in because others are not in that niche and others will do what else we would have done or instead. Is that what you are saying?

MR. WARREN: Probably the way to approach it, and Gordon can address this, but I think there are other credit providers but the cost is higher.

MS. PARKER: They can get it done; it is just a matter of fact that we provide --

MR. WARREN: The monies that we save go to the benefit of the project. I am going to let Gordon comment on what he has come up against. Other finances are out there but it is somewhat limited. There is not a wide range of people offering this kind of financial product.

MR. SCHANCK: Affordability is a very important component of these projects for us, so anything we can do -- That is why we are focusing on nonprofit ownership. Anything we can do to reduce the cost is very desirable, and this has been one avenue that we would like to pursue for that reason. But we also see some other reasons just in terms of having some continuity in the program. Not having to start over every time with a new underwriting team I think would also be a desirable feature of working together.

CHAIRMAN WALLACE: Linn, this isn't going to take away from the other projects. We are trying to build up our multifamily portfolio. This is another way of doing that.

MR. WARREN: I don't think so, Mr. Chairman. I think Terri's point is well taken though. We do need to look at resources every year.

CHAIRMAN WALLACE: You bet.

MR. WARREN: As new initiatives come through we have to decide what is viable. Do we have to enhance or add to our resources? How do we do all of that? This initiative is no different. It does not get a free pass just because of what it is; we have to look through this stuff. But I think we are confident we can get there.

CHAIRMAN WALLACE: Julie.

MS. BORNSTEIN: Thank you, Mr. Chairman. I am pleased to see that you are exploring this because I know not only is the U.C. impacted, but those communities where U.C. campuses are located are also impacted. We deal with them in terms of their housing element and meeting the needs of their non-student population. But I have a couple of questions. At one point, Linn, you made a comment about seasonal nature. When you are looking at underwriting these units, are you assuming a 12 month occupancy or are you assuming a school year occupancy?

MR. WARREN: I think that, and maybe Gordon can address this, but I think it depends on the lease that is signed. Some underwriting models I have seen, Ms. Bornstein, had some summer higher vacancy rates, some do not. I think it depends on the lease obligations.

MS. BORNSTEIN: Will the sponsors be prohibited from requiring a year lease if a student only wants to be there nine months? That certainly affects affordability.

MR. SCHANCK: There is a market that you are competing with, both off campus and some on campus housing. In the Irvine project case while they certainly can do 12 month leases, the target market is a 9 month lease.

At a lot of our schools another thing that is happening is increased summer activity. One of the ways we are dealing with our growth is to emphasize summer programs. So several of our campuses, Santa Barbara is a good example, are substantially increasing their summer program, which will increase summer demand. So you will either have leases on a 12 month basis or students who come in for that 3 months.

At Riverside the project that we did there most recently, those contracts are on a 12 month basis and that works in that market. It is a more affordable product anyway so the students are willing to take that on.

MS. BORNSTEIN: Certainly affordability is one of the concerns of this Agency. Having had personal contact with a requirement in a student housing market to take a 12 month lease regardless of the fact that the student was only going to be there 9 months, that clearly affects affordability.

The second question I guess goes to the monitoring in terms of affordability, particularly if the units are going to be counted and rented on a per bed basis. Because my experience is that students usually form those groups that go as a group of four or a group of five to rent an apartment, and most students do not ask their friends what their personal finances are to determine who qualifies as an affordable tenant and who does not. Will that increase the monitoring for either our Agency or the U.C. in a way that might affect our cost analysis?

MR. WARREN: I think this might be appropriate if Al Bonnett is here from EAH. This is something I have discussed with Al as to how do we monitor this issue. I will let Al, I know he has dealt with this.

MR. BONNETT (FROM THE AUDIENCE): The way --

CHAIRMAN WALLACE: Al, why don't you take Ken Carlson's seat and the mic. Introduce yourself and who you represent for the record, please.

MR. BONNETT: Thank you. I am Al Bonnett, I am assistant VP there at EAH. We have done two of these properties right now with the University of California, one on the Davis campus and one the Riverside campus. By this time next month we will hopefully have closed the loan for the Irvine campus. The property that we own on the campus at Davis has the same restrictions on it that we are going to be talking about here with the California Housing Finance Agency. We do all of the monitoring ourselves for that. The way the students come to us, they can come as a group if they choose or we can put them together. It depends on the circumstances of the students. In no way is the income information that they provide to us available to other students, not even their roommates. That is confidential. Does that answer your questions?

MS. BORNSTEIN: Then you attempt to balance the building overall to meet whatever affordability requirements, if it is 20 percent or 50 percent?

MR. BONNETT: Yes.

MS. BORNSTEIN: You would then monitor that and have to move people around among properties?

MR. BONNETT: Among the units.

MS. BORNSTEIN: Among the units, okay.

MR. BONNETT: That is correct.

MS. BORNSTEIN: Okay, thank you.

CHAIRMAN WALLACE: Any further questions of the Board? By the Board? For the Board?

MR. SHINE: What is, Mr. Chairman, the proposal here? Just to study it some more?

MR. WARREN: Yes.

CHAIRMAN WALLACE: Well, the proposal is to keep going forward to try and find the devils in the details. Conceptual.

MS. PARKER: We wanted to make sure that the Board was comfortable with us moving forward in discussions about seeing if we can have products to come back to bring you. Obviously, we wanted to make sure that you are open to this concept before we go through and actually look at what would be involved in each individual deal.

MR. WARREN: Right.

MR. SHINE: You are talking about bringing back sample deals or real deals, as the case may be.

MR. WARREN: It could be a sample deal, I think, Mr. Shine. I think the next logical step in any program -- We are going to sit down and write program guidelines. We are going to sit down with Gordon and his staff and Al since they have done this, and we are going to work through what the actual program underwriting guidelines would look like, what does the construction lending look like. That is how we sort out all these details. And the goal is it is an unambiguous program and we are clear on what we have to do. That just takes legwork.

MR. SHINE: So under your impacts then would be the discussions we have been having here --

MR. WARREN: Absolutely.

MR. SHINE: -- About the impact on the Agency.

MR. WARREN: What is this going to take?

MR. SHINE: And the implications of credit.

MS. PARKER: Resources, financing.

MR. SHINE: Right, exactly.

MR. WARREN: Finance, asset management, legal. All of the things we go through when we try to build a program. But we have to get the stuff down on paper.

CHAIRMAN WALLACE: Anybody on the Board disagree with giving them reign to run with this, subject to bringing it back with the model guidelines, etcetera?

MR. SHINE: I would like to get that evaluation.

CHAIRMAN WALLACE: As long as you do not make it in any way, shape or form, this model, available to Stanford it's okay. (Laughter) Some things never die. Okay. I think you have got your direction.

MR. WARREN: Thank you, Mr. Chairman.

CHAIRMAN WALLACE: Thank you, Al, Gordon.

MR. BONNETT: Thank you.

MR. SCHANCK: Thank you.

CHAIRMAN WALLACE: I suspect we may see you again.

MR. SCHANCK: I look forward.

CHAIRMAN WALLACE: I hope so.

MS. PARKER: Mr. Chairman, before we close just one thing. I wanted to point out to all the Board Members that at your seats you have your very own CHFA marketing tool kit.

MR. LaVERGNE (FROM THE AUDIENCE): CalHFA.

MS. NEAL: CalHFA.

MS. PARKER: Oh, I did. CalHFA.

MS. NEAL: You did.

MR. LaVERGNE (FROM THE AUDIENCE): Bravo.

MS. NEAL: Okay. All right, that's a gotcha.

MS. WEIR: I would move that those quarters go to the general fund.

MS. PARKER: Believe me, I have put my -- Here I was, I was going to, like, do it and I screwed up. Which includes the most recent CalHFA Annual Report. I did it again. No, I said it right, I said it right.

CHAIRMAN WALLACE: Terri has a plane to catch. She is understandably distraught.

MS. PARKER: I just want to make sure staff gets the credit for the work, particularly our marketing people, what we have done. This is our new and improved Annual Report. It has had a diet, it is down to 16 pages. When I came we were doing 36 page annual reports. I just want to give credit to the staff. We will be working even more diligently to continue to use our new acronym.

OTHER BOARD MATTERS

CHAIRMAN WALLACE: Let's move to Item 9, which is discussion of any other non-agendized items by the Board.

MS. BORNSTEIN: Mr. Chairman, one very quick item. I have regards to everyone from Ken Hobbs who I was able to see at the twentieth anniversary birthday of the Coachella Valley Housing Coalition. He has relocated in the Coachella Valley and sends his regards to everyone.

CHAIRMAN WALLACE: Good. And Pat.

MS. NEAL: I wanted to know, and possibly the staff can, if it is possible, give us an update at the next meeting. We have rather a crisis in obtaining insurance in the State of California and I wondered if any of the projects, if they are having any problems with the renewal on their insurance.

CHAIRMAN WALLACE: Like terrorism insurance?

MS. NEAL: No, I am talking about fire insurance.

CHAIRMAN WALLACE: Overall.

MS. NEAL: Yes, just regular, regular insurance.

CHAIRMAN WALLACE: Just general. Homeowners-type policies.

MS. NEAL: Homeowners. From what I understand, the fix that we were able to use in 1994 after the Northridge earthquake where we just told them to get plain fire insurance to close the loan is not available and becoming scarcer and scarcer. Some of the fees have gone up 40 --

MS. PARKER: We'll ask Margaret to have a report in the next Board Meeting's Board package.

MS. NEAL: Some of the premiums have gone up 40 percent over last year.

CHAIRMAN WALLACE: It's nationwide. I just left New Orleans, the National Association of Realtors convention, and it is a nationwide epidemic. So it is not just us; it is a real serious problem.

MR. SHINE: It is interesting to note that with the new AB 800 or SB 800 bill that passed that we talked about last meeting.

CHAIRMAN WALLACE: Yes.

MR. SHINE: That insurers are beginning to come back to California in construction. With more people here it does not matter whether it is construction or existing, that competition will in the long run, I hope, help provide a broader base of insurers at a somewhat lower rate. But I am keeping my fingers crossed.

CHAIRMAN WALLACE: CNA is back. Okay, any other items non-agendized?

PUBLIC TESTIMONY

Are there any members of the public, Item 10, who have any comments of non-agendized items? Maio.

MR. MAIO (FROM THE AUDIENCE): Yes.

CHAIRMAN WALLACE: Yes.

MR. MAIO (FROM THE AUDIENCE): I am Dominick Maio, I'm the information technology chief for CHFA. I thought it would be good to mention --

MS. NEAL: CHFA?

MS. PARKER: CalHFA.

MR. MAIO (FROM THE AUDIENCE): Oh, I did it myself. That goes right to my point, right to my point.

MR. SHINE: That's 25 cents.

MR. MAIO (FROM THE AUDIENCE): I thought it would be good to mention to the Board and others in the room that the e-mail addresses of everyone at CalHFA have changed and CalHFA now replaces C-H-F-A. The addresses are the same in all other regards.

MS. BORNSTEIN: So could you tell us --

MR. MAIO (FROM THE AUDIENCE): The old addresses will stop working at the end of the year.

MS. BORNSTEIN: I often give out your website when I am out speaking, so what is the website that we are now to give out?

MR. MAIO (FROM THE AUDIENCE): It's now www.calhfa.ca.gov.

MS. BORNSTEIN: Okay.

MR. MAIO (FROM THE AUDIENCE): Thank you.

CHAIRMAN WALLACE: We will institute a ten cent fine starting with the next meeting.

MS. RICHARDSON: No, 25. We have a 25 cent.

CHAIRMAN WALLACE: Oh, 25 cent. Boy, this public is active today. We have got a $30 billion deficit and we are going to knock it off at two bits a crack. Okay, the next meeting is January 9 back here in the new year. In the meantime have a happy holiday season and a Happy New Year, and we will look forward to seeing you bright and sunny on January 9. We are adjourned.

(The meeting was adjourned at 11:36 a.m.)

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CERTIFICATION AND

DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed two (2) tapes in number and this covers a total of pages 1 through 95, and which recording was duly recorded at Millbrae, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 14th day of November, 2002, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 24th day of November, 2002, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Kennedy Meadows Apartments

CalHFA Ln. # 02-045-N

SUMMARY:

This is a Final Commitment request for a tax exempt, first mortgage loan in the amount of $2,000,000 and a bridge loan in the amount of $2,890,000. Kennedy Meadows Apartments is a 56 unit, new construction family project. The borrower will be Oregon Investors IV, L.P., a limited partnership with Cascade Housing Association as the general partner. The project is located at 701 New York Ranch Road, Jackson in Amador County.

LOAN TERMS:

First Mortgage Amount:	$2,000,000
Interest Rate:	5.40%
Term:	30 year fixed, fully amortized
Financing:	Tax-Exempt

Bridge Loan:	$2,890,000
Interest Rate:	4.00%
Term:	1 Year, simple interest
Financing:	Tax -Exempt

LOCALITY/OTHER INVOLVEMENT:

The project has applied for a $3,327,000 residual receipt, HOME loan from City of Jackson for fifty-five years at 3.00%.

PROJECT DESCRIPTION:

A. Site Design

The project site is 7.42 acres and is zoned R4 (Multifamily Residential) which is sufficient to construct the 56 unit family apartments. The zoning allows for a maximum density of 44 units per acre. The site is vacant and has been partially graded.

B. Project Description

The project will consist of 56 apartments in thirteen, 2 and 1-story residential buildings and one community building with a laundry facility. The buildings will be walk-up style flats of wood frame construction with composition shingle roofs.

The residential unit mix will consist of twenty-eight, 2 bedroom/1 bath units (830 SF) and twenty-eight, 3 bedroom/2 bath units (1,002 SF). There will be 174 parking spaces (60 carports and 114 open). Unit amenities include central heat and air conditioning, refrigerator, garbage disposal, range/oven with self-venting exhaust fan/hood, dishwasher, and deck or patio. Each unit will have a washer/dryer hook-up.

The community building will contain a multi-purpose community room, rental office, and computer room. The laundry will have 6 washers and 6 dryers. The project also includes open space areas, a BBQ area, a basketball court, and a tot lot.

C. Project Location

The project is located in the City of Jackson on the northwest corner of New York Ranch Road and Rollingwood Drive. The City of Jackson is located in the southern area of Amador County approximately 50 miles southeast of Sacramento along Highway 49.

The surrounding property uses include vacant land to the north and east, New York Ranch Professional Plaza (medical and other business services) to the south, and Rollingwood Estates (senior mobile home residences) to the west. A library, school, and other commercial/retail services are approximately one mile north of the project.

The project site is identified as a good site for a multifamily project due to its location, size, existing zoning, and topography, but it has received some neighbor opposition from tenants of the Rollingwood Estates mobile home residences. Rollingwood Estates are senior restricted rental residences a portion of which are rent controlled. A few of the residents are opposed to an affordable family project at the location, but would not oppose an affordable senior project at the location. Rollingwood Estates is located above and behind the project on a hill surrounded by a six foot fence. Many accommodations have been included in the project design to appease the neighbor's concerns including lowering the project density, relocating the tot lots and the basketball court, and having several one-story buildings instead of all two-story. The Jackson City Council supports the project and has approved a resolution to apply for HOME funds to help finance the project.

MARKET:

A. Market Overview

Amador County is one California's smallest counties. The 2002 population of Amador County is 36,251. The county population has been increasing at a slow rate with an average annual increase of 1.4% from 1990 to 2001. The unemployment rate in the county has declined since 1996 from 6.6% to 3.8% as of October 2002. Amador County has added 1,280 new jobs since 1996. In 2000 alone the county added 560 new jobs, a growth rate of 5.3 %. The economic employment base of the region is government which accounts for 33% of all employment in the county followed by the services sector at 23%. While the government sector growth averages 3.8% annually and is expected to remain the economic base, the services sector is growing by 7.0% annually. The area median income for the county is $39,401. Housing prices in the county range from $55,000 to over $500,000, with typical pricing in the $100,000 to $150,000 range.

There are five incorporated cities in Amador County and the City of Jackson is the county seat that houses all county offices. The 2002 population for the City of Jackson is 4,030. The population for the city has seen minimal growth in the past six years. The population grew only half of one percent from 2001 to 2002.

The City of Jackson is home to the largest employers in Amador County. The largest employer besides county government is the Jackson Rancheria Casino and Hotel which employs over 1,000 people.

B. Market Demand

There has been no new multifamily construction in Jackson during the past five years. Vacancy rates for the Jackson area and Amador County region have remained stable at one percent. In the last two years the population of Amador County has increased by 1,690 people. Based on an average of 2.4 persons per household there is additional pent up demand for 704 new housing units. With renters accounting for 24 percent of the total housing market for Amador County, that equates to a need of 169 new multifamily units. There are currently only 500 to 700 existing multifamily units in all of Amador County.

C. Housing Supply

The appraisal prepared by Integra Realty Services surveyed a total of 329 units in the Jackson area (including two projects in Sutter) reporting an average occupancy of 99.5%. Property managers reported waiting lists from 3 to 24 months.

In the immediate Jackson area, 250 apartment units are located in complexes larger than 20 units. There are five large projects that range in size from 30 to 86 units. All five of the projects received subsidies from either Rural Housing Assistance or Section 8. Waiting lists for the five projects ranged from 6 to 24 months. Only a single unit was reported vacant and was vacant for only three days.

In Jackson, only two multifamily building permits have been issued since 1996 and only 70 single family permits. Amador County as a whole has issued 45 multifamily building permits and 1,084 single family permits since 1996.

There are only two proposed multifamily projects in Jackson. The first project is the proposed Kennedy Meadows Apartments (56 LIHTC units) and the second is a 28 unit market rate project. There is a single family development of 20 lots for custom homes that are selling for approximately $50,000. New homes in Jackson are being marketed in the $400,000 range.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Rent	Market Rate Avg.	Difference	% of Market
Two Bedroom		$750		
50%	$438		$312	58%
60%	$534		$216	71%
Three Bedroom		$900		
50%	$480		$420	53%
60%	$612		$288	68%

B. Estimated Lease-Up Period

The appraisal estimates unit lease-up at 20 units per month.

OCCUPANCY RESTRICTIONS:

CalHFA: 20% of the units (11) will be restricted to 50% or less of median income.

TCAC: 20% of the units (11) will be restricted to 50% or less of median income.
80% of the units (44) will be restricted to 60% or less of median income.

HOME 22% of the units (12) will be restricted to 50% or less of median income.
20% of the units (11) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

A Phase I Environmental Site Assessment was prepared on October 17, 2002, by Kleinfelder, Inc. The Phase I identified several recognized environmental conditions at the site, but none were expected to have an adverse impact. The conditions noted included an area of depression and a dry creek bed; piles of fill material on the site, a ventilation pipe associated with a below surface drainage system on the southeastern corner of the site; two small areas of stained soil (considered de minimus); and a couple of tires on the eastern edge of the site. The project site is expected to be raised 3 to 4 feet. The Phase I recommends soil sampling of the fill materials on the site and additional testing if any subsurface structures associated with the ventilation pipe are encountered during site development. A condition of the final commitment will require the Phase I recommendations and be completed prior to construction loan close and including a subsurface investigation of ventilation pipe. All findings, recommendations, remediations are to be reviewed and accepted by the Agency.

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

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's Profile

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

B. Contractor

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

C. Architect

Meyer Architecture and Planning, Inc. ("MAP") is the project architect. MAP located in Fresno, CA has over 50 years of experience and has designed over 35,000 units of multifamily housing projects including military, affordable, tax credit, senior, and assisted living facilities.

D. Management Agent

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

Project Summary

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Date: 18-Dec-02

Project Profile:

Project :	Kennedy Meadows Apartments		
Location:	701 New York Ranch Road		
	Jackson, CA 95642	*Cap Rate:*	8.75%
County:	Amador	*Market:*	$3,470,000
Borrower:	Oregon Investors IV LP	*Income:*	$3,580,000
GP:	Cascade Housing Associatio	*Final Value:*	$3,580,000
GP:			
LP:	AEGON	***LTC/LTV:***	
Program:	Tax-Exempt	*Loan/Cost*	21.9%
CalHFA # :	02-045-N	*Loan/Value*	55.9%

Project Description:

Units	56
Handicap Units	1
Bldge Type	New Const.
Buildings	13
Stories	1
Gross Sq Ft	53,764
Land Sq Ft	323,215
Units/Acre	7.5
Total Parking	174
Covered Parking	60

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$2,000,000	$35,714	5.40%	30
CalHFA HAT	$0	$0	0.00%	-
CalHFA Loan to Lender	$0	$0	0.00%	-
City of Jackson, HOME	$3,327,000	$59,411	3.00%	55
Loan 6	$0	$0	0.00%	-
AHP	$0	$0	0.00%	-
Grant	$0	$0	0.00%	-
Contributions From Operations	$0	$0		-
G.P. Equity Contribution	$0	$0		-
Deferred Developer Equity	$599,896	$10,712		-
Tax Credit Equity	$3,219,400	$57,489		
CalHFA Bridge	$2,890,000	$51,607	4.00%	1
CalHFA HAT	$0	$0	0.00%	-

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	0	0	0	0	0	0	0
2 bedroom	1	534	0	0	6	438	21	534	0	0	28
3 bedroom			0	0	6	480	22	612	0	0	28
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	1		0		12		43		0		
											56

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	1.50% of Total Loans	$58,900	Cash
Escrows			
Bond Origination Guarantee	1.00% of T/E Loans	$48,900	Letter of Credit
Inspection fee	$1,500 x months of construction	$18,000	Cash
Construction Defect	2.50% of Hard Costs	$98,367	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$37,402	Cash
Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Cash
Annual Replacement Reserve Deposit	$325 per unit	$18,200	Operations

Sources and Uses Kennedy Meadows Apartments

SOURCES:

Name of Lender / Source	Amount	$ Per Unit	% of Total
CalHFA First Mortgage	2,000,000	35,714	21.9%
CalHFA Bridge	0	0	0.0%
CalHFA HAT	0	0	0.0%
CalHFA Loan to Lender	0	0	0.0%
City of Jackson, HOME	3,327,000	59,411	36.4%
Other Loans	0	0	0.0%
Total Institutional Financing	**5,327,000**	**95,125**	**58.2%**
Equity Financing			
Tax Credits	3,219,400	57,489	35.2%
G.P. Equity Contribution	0	0	0.0%
Deferred Developer Equity	599,896	10,712	6.6%
Total Equity Financing	**3,819,296**	**68,202**	**41.8%**
TOTAL SOURCES	**9,146,296**	**163,327**	**100.0%**

USES:

Acquisition	775,000	13,839	8.5%
Rehabilitation	0	0	0.0%
New Construction	5,006,954	89,410	54.7%
Architectual Fees	175,000	3,125	1.9%
Survey and Engineering	219,600	3,921	2.4%
Const. Loan Interest & Fees	333,812	5,961	3.6%
Permanent Financing	180,000	3,214	2.0%
Legal Fees	70,000	1,250	0.8%
Reserves	38,902	695	0.4%
Contract Costs	7,500	134	0.1%
Construction Contingency	358,348	6,399	3.9%
Local Permit Fees	111,397	1,989	1.2%
TCAC Fees/Costs	28,000	500	0.3%
Impact Fees/Other Costs	641,783	11,460	7.0%
PROJECT COSTS	**7,946,296**	**141,898**	**86.9%**
Developer Overhead/Profit	1,200,000	21,429	13.1%
Consultant/Processing Agent	0	0	0.0%
TOTAL USES	**9,146,296**	**163,327**	**100.0%**

Annual Operating Budget — Kennedy Meadows Apartments

		$ Per Unit
INCOME:		
Total Rental Income	368,640	6,583
Laundry	5,376	96
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**374,016**	**6,679**
Less:		
Vacancy Loss	18,701	334
Total Net Revenue	**355,315**	**6,345**
EXPENSES:		
Payroll	40,408	722
Administrative	30,213	540
Utilities	38,000	679
Operating and Maintenance	45,800	818
Insurance and Business Taxes	18,763	335
Taxes and Assessments	6,720	120
Reserve for Replacement Deposits	18,200	325
Subtotal Operating Expenses	**198,104**	**3,538**
Financial Expenses		
Mortgage Payments (1st loan)	134,767	2,407
Total Financial	**134,767**	**2,407**
Total Project Expenses	**332,871**	**5,944**

Cash Flow — Kennedy Meadows Apartments — CalHFA Development Numbe

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	368,640	377,856	387,302	396,985	406,910	417,082	427,509
TOTAL RENTAL INCOME	**368,640**	**377,856**	**387,302**	**396,985**	**406,910**	**417,082**	**427,509**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	5,376	5,510	5,648	5,789	5,934	6,082	6,235
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**5,376**	**5,510**	**5,648**	**5,789**	**5,934**	**6,082**	**6,235**
GROSS INCOME	**374,016**	**383,366**	**392,951**	**402,774**	**412,844**	**423,165**	**433,744**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	18,701	19,168	19,648	20,139	20,642	21,158	21,687
EFFECTIVE GROSS INCOME	**355,315**	**364,198**	**373,303**	**382,636**	**392,201**	**402,007**	**412,057**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	179,904	187,100	194,584	202,367	210,462	218,880	227,636
Replacement Reserve	18,200	18,200	18,200	18,200	18,200	19,110	19,110
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0
TOTAL EXPENSES	**198,104**	**205,300**	**212,784**	**220,567**	**228,662**	**237,990**	**246,746**
NET OPERATING INCOME	**157,211**	**158,898**	**160,519**	**162,068**	**163,539**	**164,016**	**165,311**
DEBT SERVICE							
CalHFA - 1st Mortgage	134,767	134,767	134,767	134,767	134,767	134,767	134,767
CalHFA - Bridge Loan	3,005,600	0	0	0	0		
CalHFA - HAT Loan (amortizing)	0	0	0	0	0		
CASH FLOW after debt service	**22,444**	**24,131**	**25,752**	**27,301**	**28,772**	**29,249**	**30,544**
DEBT COVERAGE RATIO	**1.17**	**1.18**	**1.19**	**1.20**	**1.21**	**1.22**	**1.23**

Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
0	0	0	0	0	0	0	0	0	0
2.50%	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
471,890	483,688	495,780	508,174	520,879	533,901	547,248	560,929	574,953	589,326
471,890	**483,688**	**495,780**	**508,174**	**520,879**	**533,901**	**547,248**	**560,929**	**574,953**	**589,326**
2.50%	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
6,882	7,054	7,230	7,411	7,596	7,786	7,981	8,180	8,385	8,594
0	0	0	0	0	0	0	0	0	0
6,882	**7,054**	**7,230**	**7,411**	**7,596**	**7,786**	**7,981**	**8,180**	**8,385**	**8,594**
478,772	**490,741**	**503,010**	**515,585**	**528,475**	**541,687**	**555,229**	**569,110**	**583,337**	**597,921**
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
5.00%	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
23,939	24,537	25,150	25,779	26,424	27,084	27,761	28,455	29,167	29,896
454,833	**466,204**	**477,859**	**489,806**	**502,051**	**514,602**	**527,467**	**540,654**	**554,170**	**568,025**
4.00%	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
266,302	276,954	288,032	299,553	311,535	323,997	336,956	350,435	364,452	379,030
20,066	20,066	20,066	20,066	20,066	21,069	21,069	21,069	21,069	21,069
2.00%	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
0	0	0	0	0	0	0	0	0	0
286,367	**297,019**	**308,097**	**319,619**	**331,601**	**345,065**	**358,025**	**371,504**	**385,521**	**400,099**
168,466	**169,185**	**169,762**	**170,187**	**170,450**	**169,537**	**169,442**	**169,151**	**168,650**	**167,926**
134,767	134,767	134,767	134,767	134,767	134,767	134,767	134,767	134,767	134,767
33,699	**34,418**	**34,995**	**35,420**	**35,683**	**34,770**	**34,675**	**34,383**	**33,882**	**33,158**
1.25	**1.26**	**1.26**	**1.26**	**1.26**	**1.26**	**1.26**	**1.26**	**1.25**	**1.25**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	604,060	619,161	634,640	650,506	666,769	683,438	700,524
TOTAL RENTAL INCOME	**604,060**	**619,161**	**634,640**	**650,506**	**666,769**	**683,438**	**700,524**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	8,809	9,029	9,255	9,487	9,724	9,967	10,216
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**8,809**	**9,029**	**9,255**	**9,487**	**9,724**	**9,967**	**10,216**
GROSS INCOME	**612,869**	**628,190**	**643,895**	**659,993**	**676,492**	**693,405**	**710,740**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	30,643	31,410	32,195	33,000	33,825	34,670	35,537
EFFECTIVE GROSS INCOME	**582,225**	**596,781**	**611,700**	**626,993**	**642,668**	**658,735**	**675,203**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	394,191	409,959	426,357	443,412	461,148	479,594	498,778
Replacement Reserve	22,122	22,122	22,122	22,122	22,122	23,228	23,228
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0
TOTAL EXPENSES	**416,314**	**432,081**	**448,480**	**465,534**	**483,270**	**502,822**	**522,006**
NET OPERATING INCOME	**165,912**	**164,700**	**163,221**	**161,459**	**159,397**	**155,912**	**153,197**
DEBT SERVICE							
CalHFA - 1st Mortgage	134,767	134,767	134,767	134,767	134,767	134,767	134,767
CalHFA - Bridge Loan							
CalHFA - HAT Loan (amortizing)							
CASH FLOW after debt service	**31,144**	**29,932**	**28,453**	**26,692**	**24,630**	**21,145**	**18,429**
DEBT COVERAGE RATIO	**1.23**	**1.22**	**1.21**	**1.20**	**1.18**	**1.16**	**1.14**

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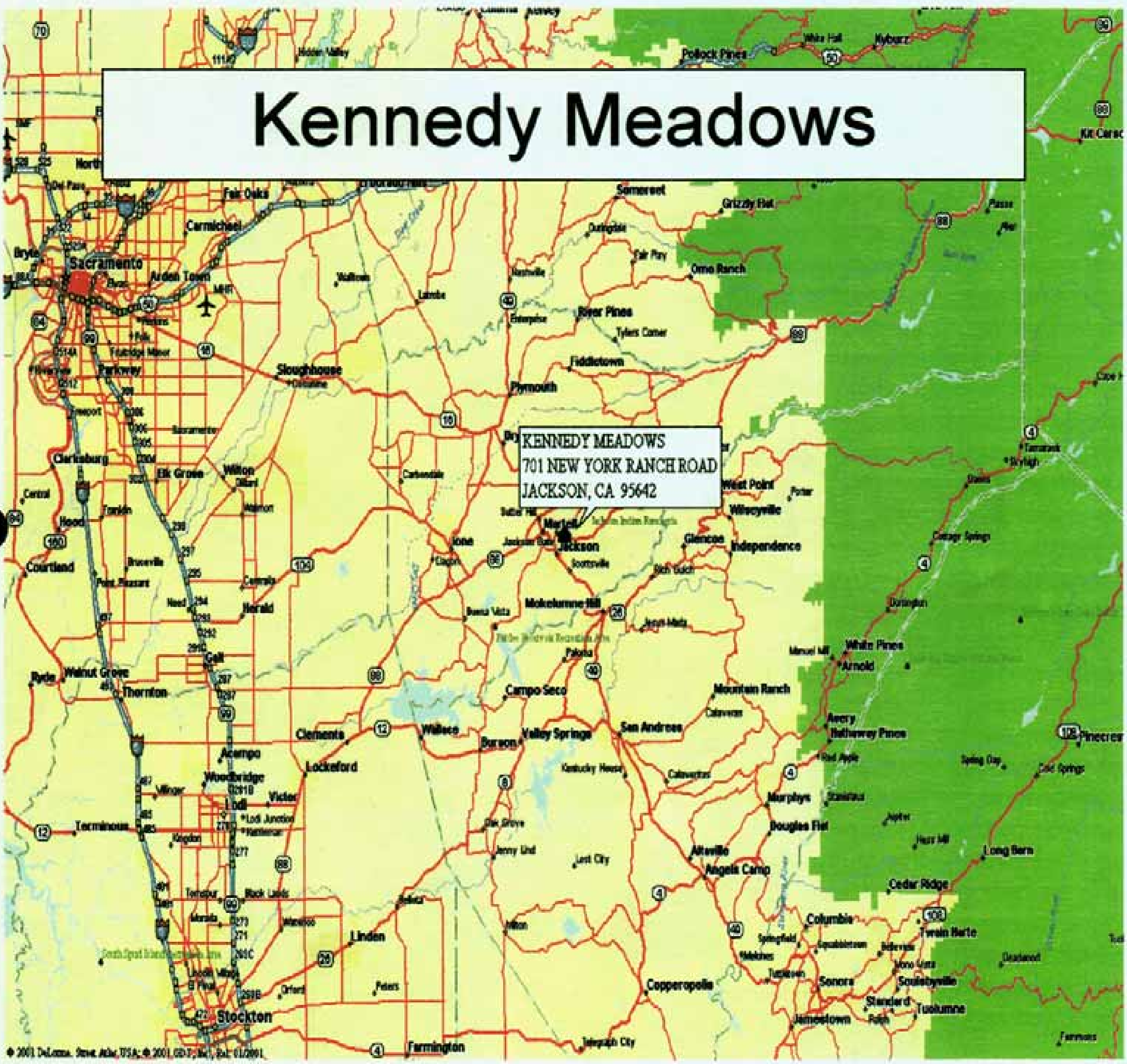
Kennedy Meadows
KENNEDY MEADOWS
701 NEW YORK RANCH ROAD
JACKSON, CA 95642
Sacramento
Arden Town
Carmichael
Fair Oaks
Pollock Pines
Somerset
Grizzly Flat
Omo Ranch
River Pines
Fiddletown
Plymouth
Sloughhouse
Elk Grove
Wilton
Clarksburg
Hood
Courtland
Galt
Walnut Grove
Thornton
Acampo
Woodbridge
Lodi
Victor
Lockeford
Clements
Wallace
Burson
Valley Springs
San Andreas
Campo Seco
Mokelumne Hill
Ione
Martell
Jackson
West Point
Wilseyville
Glencoe
Independence
White Pines
Arnold
Mountain Ranch
Avery
Hathaway Pines
Murphys
Douglas Flat
Altaville
Angels Camp
Columbia
Sonora
Jamestown
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Twain Harte
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Standard
Tuolumne
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Long Barn
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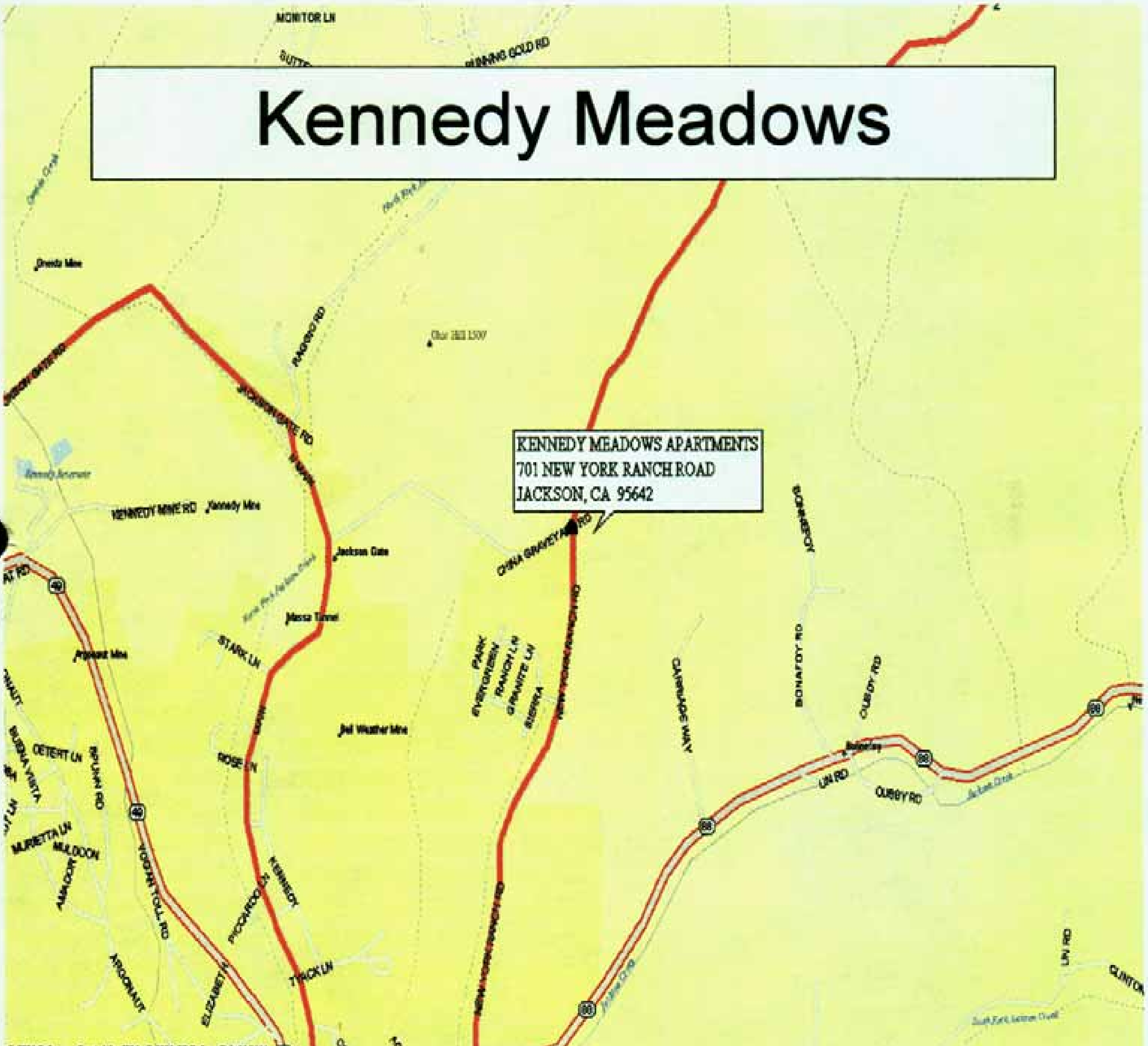
Kennedy Meadows
KENNEDY MEADOWS APARTMENTS
701 NEW YORK RANCH ROAD
JACKSON, CA 95642
MONITOR LN
RUNNING GOLD RD
RAGGIO RD
JACKSON GATE RD
KENNEDY MINE RD
Kennedy Mine
Jackson Gate
Massa Tunnel
STARK LN
Argonaut Mine
Bell Weather Mine
ROSE LN
CHINA GRAVEYARD RD
NEW YORK RANCH RD
PARK
EVERGREEN
RANCH LN
GRANITE LN
SIERRA
CARRIAGE WAY
BONAFOY RD
CUBBY RD
LIN RD
CUBBY RD
TYACK LN
KENNEDY
PICCARDO LN
ELIZABETH
ARGONAUT
VOGAN TOLL RD
OETERT LN
BUENA VISTA
MURIETTA LN
MULDOON
AMADOR
CLINTON
Oneida Mine
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RESOLUTION 03-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Oregon Investors IV, L.P, a limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 56-unit multifamily housing development located in the City of Jackson to be known as Kennedy Meadows Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated December 18, 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 December 18, 2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS		MORTGAGE AMOUNT
02-045-N	Kennedy Meadows Apartments Jackson/Amador	56	First Mortgage:	$2,000,000
			Bridge Loan:	$2,890,000

Resolution 03-01
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 03-01 adopted at a duly constituted meeting of the Board of the Agency held on January 9, 2003, at Millbrae, California.

ATTEST: ______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Noble Towers

CalHFA Ln. # 02041N & 02041A

SUMMARY:

The project is Noble Towers, a 195 unit, senior, existing Section 8 project located at 1515 Lakeside Drive in the City of Oakland, California, in Alameda County.

This is a request for three loans. The acquisition loan in the amount of $16,100,000 will be interest only, and have a term of two years. The first permanent mortgage will be in the amount of $4,000,000 and will have a term of thirty two years. The first two years will be interest only and the loan will fully amortize over the last thirty years. The second permanent mortgage will be in the amount of $14,555,000 and have a term of eighteen and one half years. The first two years will be interest only and the loan will fully amortized over the last sixteen and one-half years.

LOAN TERMS:

Acquisition Loan	**$16,100,000**
Interest Rate	**7.00%**
Term	**2 years, interest only, with a balloon payment at term.**
Financing	**Taxable (Agency Funds - Earned Surplus and FAF funds)**

PERMANENT FINANCING:

1st Mortgage	**$4,000,000**
Interest Rate	**5.75%**
Term	**32 years, fixed. Two years interest only. The loan will fully amortize over the last 30 years.**
Financing	**Tax-Exempt Bonds**
Insurance	**HUD/FHA Risk Share**
2nd Mortgage Amount	**$14,555,000**
Interest Rate	**5.75%**
Term	**18.5 years, fixed. Two years interest only. The loan will fully amortize over the last 16.5 years.**
Financing	**Tax Exempt Bonds**

AGENCY SECTION 8 PORTFOLIO LOAN REFINANCING:

The proposed transaction is the sale and refinancing, under the CalHFA's Section 8 Loan Portfolio Refinancing Guidelines, of a 195 unit senior building built in 1982. The Agency currently holds a loan, with a remaining term of 19 years, on this property as part of its Section 8 portfolio. Residual receipts were the property of the Agency under the original loan documentation and the Agency is the contract administrator. The operating and replacement reserve balances in February 2003 are anticipated to be approximately $1,435,228. The Agency currently holds the reserves.

On September 12, 2002, the "CalHFA's Section 8 Loan Portfolio Refinancing Guidelines" were presented to the CalHFA's Board of Directors for review. This final commitment request fits within the refinancing guidelines; the primary financing and program parameters for this loan include:

- CalHFA's regulatory agreement will stay on the property for 50 years and the affordability will be restricted to 20% of the units at 50% AMI and 80% of the units at 60% AMI.
- HUD has given preliminary approval of the transaction, the new borrower and the assignment of the HAP contract.
- The Borrower has agreed to apply for and accept extensions of the HAP agreement when the HAP agreement expires in February 2022.
- The refinancing will be processed under the same statute authority as the original loan, which requires at tenant grievance procedure and allows for a waiver of the limit on distributions contained in the original loan documentation.
- The Agency shall collect a prepayment penalty of $3,252,300 at acquisition loan closing to reimburse the Agency, on a present value basis, for the reduced yields and the lost residual receipts, less $10,000 per unit because the property is in a high cost area.
- The borrower shall maintain the current level of resident services through the first year of the rehabilitation. Starting in the second year of the rehabilitation, the borrower shall initiate an enhanced service program for the residents. The goal of the enhanced service program will be to provide some of the services necessary to allow the existing senior population to age in place.

The sale and refinancing of this property will allow the Agency to extend the affordability on the property an additional 30 years beyond the term of the original loan. It will also allow for a transfer to new owners with a proven track record in both the development and the management of affordable housing.

HUD Section 8 Contract: The property has a 40 year, project based Housing Assistance Payment Contact. The original contract will expire in January 2022. The Borrower will receive an assignment of the contract from the Seller and HUD at acquisition loan closing, and the Agency will receive a pledge of those rents. HUD will require that their Use Agreement be in first position ahead of the Agency's Regulatory Agreement. CalHFA will require that the borrower seek and accept renewals of the Section 8 HAP contract or equivalent project-based subsidies for the full term of the Agency loan, and throughout the project's useful life.

Conversion Scenario: The residents are all very low income seniors. The HAP contract has a 40 year term, and will expire in January 2022. It is not subject to termination upon refinancing, and is not subject to annual appropriations. HUD has a contractual obligation to provide Section 8 subsidies until the termination of the HAP contract but is not obligated to renew the HAP contract at its expiration. To compensate for the potential loss of Section 8 payments in the 20th year of the Agency loan(s), an A/B loan structure has been adopted. The "A" loan will have a term of 32 years and will be repaid from tenant rents set at 50% and 60 % of median income. The "B" loan will have a term of 18.5 years and will be repaid from the Section 8 increment. In the event the Section 8 contract is not renewed in 2022, the project could experience a loss of income because the tenants are dependant upon the rental subsidies to pay their rent. Therefore, Agency staff is requiring a Transition Reserve/All Purpose Reserve of $200,000 to subsidize the property during the transition from Section 8 to non-subsidized tax credit rents. This reserve will remain with the project for the term of the Agency Regulatory Agreement (50 years) and may be drawn down on an "as needed" basis to cover transition requirements. It will also be available for long term capital requirements of the property if not utilized during the transition period.

HUD/FHA Risk Share: The Agency first mortgage loan will be insured under the HUD/FHA Risk Share Program, if practical.

Acquisition Loan: The Agency will fund the acquisition loan in February 2003 with taxable funds. That loan will provide 70% of the acquisition costs and the Borrower will provide equity financing for the remaining 30%. All of the replacement and operating reserves currently being held by the Agency for the property will be transferred with the property and the Agency will continue to hold the reserves.

Permanent Loan Closing: The acquisition loan will be repaid at the Agency Permanent Loan Closings with tax exempt bond proceeds after the Borrower receives tax exempt bond authority from the California Debt Limit Allocation Commission (CDLAC). The Agency will hold back the seller reserves and collect the $200,000 Transition/All Purpose reserve at this closing. To maintain the yields from the tax credit investor (which have decreased due to the shorter term of the Agency B loan), the tax credit investor equity will not be funded until the completion of the rehabilitation period. The first two years of the permanent loan will be interest only to provide capital for the rehabilitation work, and to pay for the cost to the borrower of the equity loan from the Related Companies.

Construction Completion: The Agency will retain a construction holdback which will be released to the Borrower at completion of construction, which is estimated to be 24 months after initial funding. The borrower will perform the rehabilitation work utilizing a mezzanine construction loan from American Mortgage Company and/or an equity loan from Related Capital, and operating income. The Agency will retain an inspector, and will approve all draw requests. The borrower will maintain builders risk and course of construction insurance during the rehabilitation period.

Exit Strategy: If the Borrower is not able to secure tax exempt bond authority within the term of the Acquisition loan, the Agency will require an exit strategy which provides for the continued operation of the property under the current HAP contract. The exit strategy may include the transfer of the property to the non-profit general partner funded with 501(c) (3) bonds and/or additional time to obtain a CDLAC allocation.

Social Services: East Bay Asian Local Development Corporation ("EBALDC") has been serving the East Bay community for the past 27 years. When the acquisition is complete, EBALDC will conduct a resident needs assessment to tailor services to the Noble Towers residents. EBALDC intends to have one full time service coordinator for this building which will be paid for through project cash flow.

EBALDC currently owns two buildings with 211 units which are dedicated to serving low income seniors. EBALDC has partnered with the Center for Elder Independence (CEI) at both buildings. CEI has provided most of the supportive services addressing physical needs of the elderly clients while EBALDC has addressed the social/residential needs. CEI provides the services described below:

Services Provided at the Center for Elder Independence Offices

- Adult day health care, including recreational therapy, activities, special events and outings
- General medical care, including routine care, preventative health care and physical examinations
- Nursing care
- Medical social services, including individual and family counseling, as well as financial management
- Physical, occupational and speech therapies
- Nutritional counseling
- Prescribed medications
- Prosthesis and durable medical equipment
- Podiatry, including routine foot care

Services provided by CEI in the community

- Vision care, including examinations, treatment and corrective devices
- Dental care
- Psychiatry, including evaluation, consultation, diagnosis and treatment
- Audio logy, including evaluation, hearing aids, repairs and maintenance
- Custodial care in the nursing home

Services provided by CEI in the resident's home

- Home delivered meals
- Homemaker/chore services
- Transportation and escort services

EBALDC has a relationship with the Family Bridges organization located in Oakland Chinatown. Family Bridges program is targeted to immigrants who have limited English proficiency. They also provide services to frail seniors as well as have an adult day health care center and home care. They provide citizenship services, interpretation service and referral. EBALDC also has a relationship with Asian Health Services (AHS), which is also located in Oakland Chinatown.

MARKET

A. Market Overview

The property is located in the City of Oakland. Oakland is an older established community supported in great part by the Port of Oakland and established industrial areas in the city. The lack of developable land has limited the both commercial and residential growth in recent years. The city had population of 399,484 in the year 2000. It experienced a 7.2% population growth from 1990 to 2000, and is expected to grow 4% between 2002 and 2005, and 2% every five years until 2025. The city is the transportation hub of the East Bay. Serving the city are several neighborhood shopping districts, with the center of the city developed with office buildings. Mean household income in 2000 was $65,500. There were 193,950 jobs in Oakland in 2000. This is projected to grow to 214,580 by the year 2010.

The subject property is located on the southwest side of Lakeside Drive and has unobstructed views of the lake. The Lakeside Drive runs along the western side of Lake Merritt. This area is part of Oakland's Central Business District which is bounded by Lake Merritt on the east, Grand Avenue on the north, Freeway 880 on the south, and Freeway 980 on the west. The area is the highest density residential section of Oakland.

The property is located across from a small park that fronts on Lake Merritt. The park includes a lawn area, the Oakland Boat House, and the historic Cameron-Stanford House. Immediately surrounding the property are high-rise apartment buildings and condominium projects and the county offices. The Essex at Lake Merritt, a new 270 unit high rise apartment complex, is within a block of the subject.

The area is considered a very good residential location. Property values increased dramatically between 1999 and 2000 and despite some declines in rental rates, the prices for multifamily apartment complexes in the area have remained stable. The area is well served by shopping and other amenities.

B. Market Demand

The Agency engaged an appraisal from Kathryn Sturgis-Bright, which was dated November 18, 2002. The prospective Market Value of the property upon completion of the rehabilitation is $22,300,000. The property was valued as a "leased fee" because of a covenant on title which restricts the property to occupancy by seniors for through 2030. The Borrower also engaged an appraisal from Cressner and Associates dated September 18, 2002, which valued the "lease fee" at stabilized occupancy at $22,000,000.

The primary market area for the subject property is the City of Oakland and the secondary market area is the County of Alameda. The demand for housing units in the County of Alameda is projected to be 19,562 units between 2000 and 2005. The estimated senior population in Oakland aged 65 and older is currently 40,747 people. The demand for rental units increased in 1999 and 2000 and rental rates peaked in early 2001. Rents declined at the end of 2001 but appear to have stabilized in 2002

C. Market Supply

There is a wide variety of residential development in Oakland. The Agency appraisal provided survey information on 24 market rate complexes in Oakland with 3,326 units. It found that the average occupancy rate was 91% in September 2002. The average rent for one bedroom one bath units was $1,165, and had declined by 6.3% from rents achieved the year previous.

The market rents for the subject property, as a senior property, were set at $1250 by the appraisal. Comparable rentals were offering one months free rent with a 12 month lease. The comparable rents net of concessions ranged from $883 to $1,780. The highest rents were achieved at properties with comparable locations on Lake Merritt Drive that were not restricted to seniors, and the lowest comparables were older buildings at inferior locations.

There are a number of properties in Oakland offering subsidized rents. All subsidized properties report high demand and long waiting lists. Three new affordable properties are in construction in the downtown area. A 92 unit, market rate, for-sale, town home development is under construction in the downtown area.

The 2003 contract rents have been set at $1457 for 181 of the units and at $1458 for 13 of the units. The HAP rents are above current market rents of $1250. The HAP rents cannot be marked down to market during the term of the current HAP contract. The annual adjustment factor in 2003 was 106%. We anticipate that this factor will be reduced in 2004 to reflect lower rental trends in the Bay Area.

Market versus Restricted Rents

Unit Type	Restricted Rents:	Section 8 Rents:	Market Rent	Difference Restricted vs. Market Rents	% Of Market
One Bedroom			$1,250		
50%	$652	$1,457		$726	52%
60%	$782	$1,457		$418	63%

PROJECT DESCRIPTION:

A. Description of the Site and Existing Improvements:

The property was built in 1982 as a 195 unit low income senior project for persons 62 years of age and above as part of the CalHFA construction program. It was built on a 29,344 square feet (.674 acres) parcel. It has a 183 foot frontage along Lakeside Drive across from Lake Merritt in Oakland. The site is zoned R-90, the highest density allowed in Oakland, which allows for an FAR of 7.0 and a 10% density bonus for being across from a park.

The project is a 15 story high rise building which contains 195 one bedroom units. It is a concrete building, designed in 1980 and completed in 1982. The building is "L" shaped. It has a double loaded corridor system, with stairwells at the ends, and the elevators at the center of the "L". The foundation is a 5' reinforced concrete mat, with concrete caissons provided at the ends of the shear walls to provide strengthening. The building is "skinned" with a lightweight, saw-tooth ribbon patterned, nonstructural concrete façade. There is no basement. The building has a security system. It is served by two elevators.

On the first floor are a common area laundry, an entry lobby, the managers' offices, and a small mechanical room, and a large water tank. There are 49 parking spaces on the ground floor level, 20 of which tuck under the building at the first floor level reducing the available common space on the first floor.

There is a community room on the second floor, a community kitchen area, a lounge, and a large outdoor seating area, as well a few apartment units.

The units are small, ranging from 503 square feet to 650 square feet with an average size of 558 square feet. The larger units have walk-in closets, and the smaller units have storage closets adjacent to the units. All units have operable windows and balconies with sliding glass doors.

B. Planned Rehabilitation:

URS performed a seismic review on the structural systems which it described as "very good" for the time it was built. The risk levels associated with the building are within the Agency's seismic risk criteria and no further investigation, and no seismic strengthening was recommended.

A Property Condition Evaluation ("PNA") was issued by EMG in November 13th 2002. The PNA was restated after discussions with agency staff in December 2002. All work identified in restated PNA will be included in the Agency required scope of work. The PNA found the building was constructed within industry standards at the time it was built, well maintained in recent years and in overall good condition.

Most of the systems are functioning well.

Immediate Upgrades: The goal of the rehabilitation is to recapitalize the building between permanent loan closing and the building's 30th anniversary in 2011. The units' interiors will be completely updated over the next 7 years. 18 of the units have already had cabinet and other upgrades. The borrower plans to update approximately 100 units during the rehabilitation period. The remaining units will be upgraded during the three to five years after rehabilitation out of cash flow.

The following items are the major items which will be addressed during the rehabilitation.

- **Unit Interiors.** Upgrade the unit's interiors. The work will include painting the interiors, replacing carpeting, linen cabinets, closet doors, replacing interior hardware, light fixtures, and blinds, repairing drywall as needed, installing hardwired smoke detectors, replacing electrical outlets and switches, and cleaning.

- **Wall Heaters and Baseboard heaters.** Replacing original heaters.
- **Kitchens.** Upgrade the Kitchens. The work will include replacing kitchen cabinets and countertops, sinks, faucets, refrigerators, ranges and other appliances, flooring, light fixtures and adding GFI outlets.
- **Bathrooms.** Upgrade the bathrooms. The work will include replacing bathroom vanities, countertops, sinks, faucets, mirrors, medicine cabinets, light fixtures, refinishing tubs, replacing bath valves at tubs, replacing bathroom hardware, replacing flooring, replacing tubs and shower drains, and repairing or replacing bathroom exhaust fans as required.
- **Community/Common Area.** Redecorating corridors, and remodeling elevator cabs, the community kitchen area, the fitness room, the common bathrooms, the community room, and the entry lobby.
- **Site Improvements.** Repairing and slurry sealing the asphalt, constructing a mechanical room at the ground floor level, and updating the landscaping.
- **ADA accessibility upgrades**. Making all required upgrades in the PNA and adding lever style handles in public areas, and enclosing the public water fountain with grab bars.
- **Elevators**. Replacing the elevator car door restrictors and repairing the pit equipment as per the elevator report. Adding air conditioning in the mechanical room and performing other necessary measures to increase the longevity of the equipment. Adding accessibility features where required.
- **Emergency System**. Replacing the system.
- **Roof**. Making necessary repairs to prevent ponding.
- **Cable TV and/or Satellite TV**. Wiring the building for cable, or providing necessary satellite connections for the residents to access satellite TV.
- **Waste Lines.** Camera scoping all waste piping to determine if there are weak spots or leaks.
- **Provide emergency earthquake shut-off valve**
- **Smoke Detectors.** Replacing all smoke detectors with hard wired smoke detectors.
- **Installing Ground Fault Interrupters (GFI's) where required in all units.**
- **Replacing the original circulating pump in penthouse.**
- **Doors.** Adding smoke seals and door closers to all doors where missing. Adjusting the pressure on the closers as appropriate.

Reserved Items: The elevator equipment will need to be replaced in approximately 10 years because it is aging and replacement parts are no longer available. The windows will need to be replaced as the building nears the 30 year mark. Windows are most appropriately addressed when the building is repainted in 7 years, and again in 17 years. The asphalt paving will need to be replaced with a new surface, perhaps concrete and a concrete gutter added at the drip line in the next several years. Reserves will be set aside to cover these anticipated costs.

C. Operating Budget:

The staff report projects an operating budget of $1,033,216 or $5,298/unit per year excluding reserves and real estate taxes. Savings are anticipated due to the level of rehabilitation planned in the units. Previous years expenses are as follows:

- 1999 - $1,137,000, excluding taxes and reserves ($5,830/unit)
- 2000 - $1,034,477, excluding taxes and reserves ($5,305/unit)
- 2001 - $1,100,722 excluding taxes and reserves ($5,644/unit)
- 2002 – NOT currently available.

OCCUPANCY RESTRICTIONS:

CalHFA: 20% of the units (39) will be restricted to 50% or less of area median income, and 80% of the units (155) will be restricted to 60% or less of area median income for 50 years. There is one managers unit which is not restricted.

HUD: 100% of the units (194) must be rented to seniors with incomes of 50% or less of area median income as long as HUD provides Section 8 subsidies. The Agency will require that the owners apply for and accept renewals of the HAP contract when it expires in 2022.

CITY OF OAKLAND: The occupancy of the property is restricted to seniors and handicapped under the terms of covenant placed upon the property in 1980 by the City of Oakland that was required under the conditional use permit granting a parking reduction permit. The covenant runs with the land for 50 years, and will expire in 2030.

TCAC: 20% of the units (39) will be restricted to 50% or less of area median income, and 80% of the units (155) will be restricted to 60% or less of area median income for 55 years. There is one managers unit which is not restricted.

ENVIRONMENTAL:

A Phase I Environmental Site Assessment was performed in conformance with ASTM standards on August 27, 2002 by Barr and Clark Environmental of Torrance California. The assessment revealed no recognized environmental conditions at the property as defined by ASTM and no further assessment of the property was recommended.

An asbestos survey was not required by the Agency because the building was built after asbestos use was prohibited. A lead based paint study was not required for the property because the building is restricted to seniors.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's profile

East Bay Asian Local Development Corporation ("EBALDC") will be the managing general partner. EBALDC is an established non-profit housing and commercial development corporation that has built and/or rehabilitated more than 810 units of affordable housing in the East Bay since 1988. EBALDC's housing developments include rental apartments for individuals, families and seniors as well as single-family homes for first time homebuyers. They currently own and manage 675 units of rental housing. EBALDC also owns and manage 133,872 square feet of rental space in 8 different properties. EBALDC provides social services for residents at 4 of their buildings.

The Related Companies of California will be the operating general partner. They were formed in 1989 to focus on the multifamily rental market in California. They have developed over 5,000 units in California since their inception, including 2,174 at risk units financed by the Agency.

They are affiliated with The Related Companies, Inc. a fully integrated real estate firm based in New York City with divisions specializing in development, property management and financial services. The Related Companies have a staff of 700 professionals and oversee a real estate portfolio valued in excess of $5 billion dollars. Their development division focuses on the luxury rental apartments; government assisted housing and commercial office projects, in the New York Metropolitan area, Florida and California.

Their Financial Services Division, Related Capital, is the second largest syndicator in the country. They will syndicate this project. The investor is expected to be Fannie Mae. Related Capital will also provide the equity financing for acquisition of the property.

B. Contractor

The contractor will be Portrait Homes, Inc. of Corona California. Portrait Homes was incorporated in 1989. They have built over 2000 units of rental housing, and worked on numerous large scale apartment rehabilitation projects. They were the general contractor for all five of the Related Company of California properties that were financed by the Agency.

Advantage Construction Services, the construction arm of the Related Companies of California, will provide construction management services. They were established in 1977. To date they have acted as either the construction manager or been a joint venture partner in the contracting entity on all of the properties developed by the Related Companies of California.

C. Architect

Steven Wraight of Wraight Architects will provide architectural services. Wraight Architects was formed in 1996, and is located in the City of Anaheim.

D. Management Agent

The property will be managed by the Related Management Company, a division of the Related Companies. Related Management was formed in 1974, and directly manages 22,000 residential units in 114 apartment complexes in New York, New Jersey, Connecticut, Pennsylvania, Illinois, Rhode Island, Georgia, Alabama, Florida and California. They also provide asset management services for 55,000 units which are owned by Related in its role as general partner in syndicated transactions. They manage 2,174 units of housing financed by the Agency.

Project Summary

Date: 18-Dec-02

Project Profile:

Project :	Noble Towers	*Appraiser*	*Catherine Sturgis-Bright,MBA*
Location:	1515 Lakeside Drive	*Appraising Firm*	*Sturgis-Bright and Associates*
	Oakland 94612	*Cap Rate:*	6.75%
County:	Alamada	*Market:*	$21,450,000
Borrower:	LP to be formed	*Income:*	$22,300,000
GP:	East Bay Asian Local Development Cor	*Final Value:*	$22,300,000
GP:	The Related Companies of California	Acquisition price	$21,816,295
LP:	Related Capitol/Fannie Mae	***LTC/LTV:***	
Program:	Portfolio Refinance	*A& B Loans/Cos*	61.1%
CalHFA # :	02041A & 02041N	*Acq. Loan/Acq.Cos*	70%
		A Loan/Value	17.9%
		A & B Loans/Value	83%
		A & B Loans/Price	85%

Project Description:

Units	195
Handicap Units	0
Bldge Type	Concrete
Buildings	1
Stories	15
Gross Sq Ft	108,810
Land Sq Ft	29,344
Units/Acre	289
Total Parking	49
Covered Parking	20

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$4,000,000	$20,513	5.75%	32
CalHFA B Loan	$14,555,000	$74,641	5.75%	18.5
Seller Reserves	$1,435,228	$7,360	-	
Contributions From Operations*	$2,328,167	$11,939	-	-
Deferred Developer Fee	$1,200,000	$6,154	-	-
Tax Credit Equity/Borrower Equity	$6,833,478	$35,043	-	
CalHFA Acquisition Loan	$16,100,000	$82,564	7.00%	2

Unit Mix:

Type	Manager		36% AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom	1		0	0	39	652	155	782	0	0	195
2 bedroom			0	0	0	0	0	0	0	0	0
3 bedroom			0	0	0	0	0	0	0	0	0
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	1		0		39		155		0		
											195

* CalHFA is underwriting the A loan to the TCAC rents, and the B loan to the Section 8 Increment.

Fees, Escrows, and Reserves:

Fees	**Basis of Requirements**	**Amount**	**Security**
Acquisition Loan	0.50% Of Acquisition Loan Amount	$80,500	Cash
Permanent Loan	1.00% of Permanent Loan Amounts	$185,550	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	$185,550	Letter of Credit
Inspection fee	$1,500 x months of construction	$27,000	Cash
Construction Defect Security	2.50% of Hard Costs	$71,516	Letter of Credit
Reserves			
All Inclusive Reserve	Present Value of 1 year "A" loan debt servic	$200,000	Cash at Permanent Closing
Prepayment Penalty	Yield Calculation Formula	$3,252,330	Cash at Acq loan closing
Replacement Reserve Deposit	$400 Per Unit	$78,000	Operations starting in y
Cash Deposit into Replacement Reserves	$2,000 per Unit	$390,000	Seller Reserves
Agency Construction Completion Reserve	Balance Seller Reserves	$845,228	Balance of Seller Reserves

Sources and Uses

Noble Towers

SOURCES:			
Name of Lender / Source	**Permanent Amount**	**Acquisition Amount**	**Permanent $ per unit**
CalHFA First Mortgage	4,000,000		20,513
CalHFA Acquisition Loan	0	16,100,000	0
CalHFA B Loan	14,555,000		74,641
Total Institutional Financing	**18,555,000**	**16,100,000**	**95,154**
Equity Financing			
Seller Reserves	1,449,160		7,432
Tax Credits/Borrower Equity	6,833,478	6,535,273	35,043
Deferred Developer Fee	1,200,000		6,154
Contributions From Operations*	2,328,167		11,939
Total Equity Financing	**11,810,805**	**6,535,273**	**60,568**
TOTAL SOURCES	**30,365,805**	**22,635,273**	**155,722**

USES:	**Permanent Amount**	**Acquisition Amount**	**Permanent $ per unit**
Acquisition	22,954,943	22,954,943	117,718
Rehabilitation	2,860,642	0	14,670
New Construction	0	0	0
Architectural Fees	140,000	0	718
Survey and Engineering	0	0	0
Const. Loan Interest & Fees	1,700,273	0	8,719
Permanent Financing	215,052	0	1,103
Legal Fees	0	0	0
Reserves	590,000	0	3,026
Contract Costs	17,500	0	90
Construction Contingency	286,064	0	1,467
Local Fees	10,000	0	51
TCAC/Other Costs	240,331	0	1,232
PROJECT COSTS	**29,014,805**	**22,954,943**	**148,794**
Developer Overhead/Profit	1,200,000	0	6,154
Consultant/Processing Agent	151,000	0	774
TOTAL USES	**30,365,805**	**22,954,943**	**155,722**

Annual Operating Budget — Noble Towers

		$ per unit
INCOME:		
Total Rental Income	1,454,051	7,457
Laundry	3,510	18
Section 8 Income	1,746,061	8,954
Commercial/Retail	0	-
Gross Potential Income (GPI)	**3,203,622**	**16,429**
Less:		
Vacancy Loss	161,781	830
Total Net Revenue	**3,041,841**	**15,599**
EXPENSES:		
Payroll	335,966	1,723
Administrative	131,601	675
Utilities	231,868	1,189
Operating and Maintenance	216,048	1,108
Insurance and Business Taxes	99,481	510
Taxes and Assessments	19,931	102
Reserve for Replacement Deposits	78,000	400
Subtotal Operating Expenses	**1,112,895**	**5,707**
Financial Expenses		
Mortgage Payments (1st loan)	230,000	1,179
Mortgage Payments (2nd loan)	1,367,735	7,014
Total Financial	**1,597,735**	**8,194**
Total Project Expenses	**2,710,630**	**13,901**

Cash Flow Noble Towers CalHFA # 02041A & 02041N

RENTAL INCOME	1/2 year Acquisition	Year 1 Construction	Year 2 Construction	Year 3	Year 4	Year 5	Year 6	Year 7
Market Rent Increase	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Section 8 Increment	735,670	1,454,051	1,468,592	1,483,278	1,498,110	1,513,092	1,528,222	1,543,505
Affordable Rent Increase	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Affordable Rents	864,387	1,746,061	1,763,521	1,781,157	1,798,968	1,816,958	1,835,127	1,853,479
TOTAL RENTAL INCOME	**1,600,056**	**3,200,112**	**3,232,113**	**3,264,434**	**3,297,079**	**3,330,049**	**3,363,350**	**3,396,983**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	3,500	3,500	3,510	3,580	3,652	3,725	3,799	3,875
Other	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**3,500**	**3,500**	**3,510**	**3,580**	**3,652**	**3,725**	**3,799**	**3,875**
GROSS INCOME	**1,603,556**	**3,203,612**	**3,235,623**	**3,268,014**	**3,300,730**	**3,333,774**	**3,367,149**	**3,400,859**
Vacancy Rate: Section 8 Increment	*3.00%*	*5.00%*	*5.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate : Affordable	*3.00%*	*5.00%*	*5.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Less: Vacancy Loss	26,037	160,181	161,781	98,040	99,022	100,013	101,014	102,026
EFFECTIVE GROSS INCOME	**1,577,519**	**3,043,431**	**3,073,842**	**3,169,974**	**3,201,708**	**3,233,761**	**3,266,135**	**3,298,833**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	507,482	1,014,964	1,050,488	1,087,255	1,125,309	1,164,695	1,205,459	1,247,650
Replacement Reserve	0	0	0	78,000	78,000	78,000	78,000	78,000
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	9,966	19,931	20,330	20,736	21,151	21,574	22,005	22,446
TOTAL EXPENSES	**517,448**	**1,034,895**	**1,070,818**	**1,185,991**	**1,224,460**	**1,264,269**	**1,305,465**	**1,348,096**
NET OPERATING INCOME	**1,060,072**	**2,008,536**	**2,003,024**	**1,983,983**	**1,977,249**	**1,969,492**	**1,960,670**	**1,950,737**
DEBT SERVICE								
CalHFA - 1st Mortgage		230,000	230,000	280,115	280,115	280,115	280,115	280,115
CalHFA Acquisition Loan	563,500							
CalHFA B loan		836,913	836,913	1,367,735	1,367,735	1,367,735	1,367,735	1,367,735
Cash flow after CalHFA loans	**496,572**	**941,624**	**936,112**	**336,133**	**329,399**	**321,643**	**312,821**	**302,888**
DCR CalHFA A&B	**1.88**	**1.88**	**1.88**	**1.20**	**1.20**	**1.20**	**1.19**	**1.18**
Interest on Equity Loan	316,207	527,151	751,915					
Construction financed by operations		125,000	125,000	100,000	100,000	100,000	100,000	100,000
Cash Flow after expenses**	***180,365***	***289,473***	***59,197***	***236,133***	***229,399***	***221,643***	***212,821***	***202,888***

** NOTE: Costs to be paid from project cash include social services and partnership fees

Cash Flow — Noble Towers — CalHFA 02041A & 02041N

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Y
Market Rent Increase	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	
Section 8 Increment	1,606,177	1,622,239	1,638,461	1,654,846	1,671,394	1,688,108	1,704,989	1,722,039	869,630	
Affordable Rent Increase	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	
Affordable Rents	1,928,737	1,948,025	1,967,505	1,987,180	2,007,052	2,027,122	2,047,394	2,067,867	2,315,973	2,66
TOTAL RENTAL INCOME	**3,534,915**	**3,570,264**	**3,605,966**	**3,642,026**	**3,678,446**	**3,715,231**	**3,752,383**	**3,789,907**	**3,185,603**	**2,66**
OTHER INCOME										
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Laundry	4,195	4,279	4,364	4,452	4,541	4,631	4,724	4,818	4,915	
Other	0	0	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**4,195**	**4,279**	**4,364**	**4,452**	**4,541**	**4,631**	**4,724**	**4,818**	**4,915**	
GROSS INCOME	**3,539,109**	**3,574,542**	**3,610,331**	**3,646,477**	**3,682,987**	**3,719,862**	**3,757,107**	**3,794,725**	**3,190,518**	**2,67**
Vacancy Rate: Section 8 Increment	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	
Vacancy Rate : Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	
Less: Vacancy Loss	106,173	107,236	108,310	109,394	110,490	111,596	112,713	113,842	95,716	8
EFFECTIVE GROSS INCOME	**3,432,936**	**3,467,306**	**3,502,021**	**3,537,083**	**3,572,497**	**3,608,266**	**3,644,394**	**3,680,884**	**3,094,802**	**2,59**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	
Expenses	1,431,707	1,481,817	1,533,681	1,587,360	1,642,917	1,700,419	1,759,934	1,821,532	1,885,285	1,95
Replacement Reserve	81,900	81,900	85,995	85,995	85,995	85,995	90,295	90,295	90,295	9
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Taxes and Assessments	24,296	24,782	25,277	25,783	26,299	26,825	27,361	27,908	28,466	2
TOTAL EXPENSES	**1,537,903**	**1,588,499**	**1,644,953**	**1,699,137**	**1,755,211**	**1,813,239**	**1,877,590**	**1,939,735**	**2,004,046**	**2,07**
NET OPERATING INCOME	**1,895,033**	**1,878,807**	**1,857,068**	**1,837,946**	**1,817,287**	**1,795,027**	**1,766,804**	**1,741,149**	**1,090,756**	**52**
DEBT SERVICE										
CalHFA - 1st Mortgage	280,115	280,115	280,115	280,115	280,115	280,115	280,115	280,115	280,115	28
CalHFA Acquisition Loan										
CalHFA B loan	1,367,735	1,367,735	1,367,735	1,367,735	1,367,735	1,367,735	1,367,735	1,367,735	683,867	
Cash flow after CalHFA loans	**247,183**	**230,958**	**209,218**	**190,096**	**169,437**	**147,178**	**118,955**	**93,299**	**126,774**	**24**
DCR CalHFA A&B	**1.15**	**1.14**	**1.13**	**1.12**	**1.10**	**1.09**	**1.07**	**1.06**	**1.13**	
Interest on Equity Loan										
Construction financed by operations										
Cash Flow after expenses**	***247,183***	***230,958***	***209,218***	***190,096***	***169,437***	***147,178***	***118,955***	***93,299***	***126,774***	***24***

Cash Flow — Noble Towers — CalHFA # 02041A & 02041N

RENTAL INCOME	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Section 8 Increment	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	2,872,786	2,944,606	3,018,221	3,093,676	3,171,018	3,250,294	3,331,551	3,414,840
TOTAL RENTAL INCOME	**2,872,786**	**2,944,606**	**3,018,221**	**3,093,676**	**3,171,018**	**3,250,294**	**3,331,551**	**3,414,840**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	5,320	5,426	5,535	5,646	5,759	5,874	5,991	6,111
Other	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**5,320**	**5,426**	**5,535**	**5,646**	**5,759**	**5,874**	**5,991**	**6,111**
GROSS INCOME	**2,878,106**	**2,950,032**	**3,023,756**	**3,099,322**	**3,176,777**	**3,256,168**	**3,337,542**	**3,420,951**
Vacancy Rate: Section 8 Increment	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	143,905	147,502	151,188	154,966	158,839	162,808	166,877	171,048
EFFECTIVE GROSS INCOME	**2,734,201**	**2,802,531**	**2,872,568**	**2,944,356**	**3,017,938**	**3,093,359**	**3,170,665**	**3,249,903**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	2,163,408	2,239,127	2,317,497	2,398,609	2,482,561	2,569,450	2,659,381	2,752,459
Replacement Reserve	94,809	94,809	94,809	94,809	99,550	99,550	99,550	99,550
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	30,813	31,429	32,058	32,699	33,353	34,020	34,700	35,394
TOTAL EXPENSES	**2,289,030**	**2,365,366**	**2,444,364**	**2,526,118**	**2,615,463**	**2,703,020**	**2,793,631**	**2,887,404**
NET OPERATING INCOME	**445,170**	**437,165**	**428,204**	**418,238**	**402,475**	**390,339**	**377,034**	**362,500**
DEBT SERVICE								
CalHFA - 1st Mortgage	280,115	280,115	280,115	280,115	280,115	280,115	280,115	280,115
CalHFA Acquisition Loan								
CalHFA B loan								
Cash flow after CalHFA loans	**165,055**	**157,050**	**148,089**	**138,123**	**122,360**	**110,224**	**96,919**	**82,385**
DCR CalHFA A&B	**1.59**	**1.56**	**1.53**	**1.49**	**1.44**	**1.39**	**1.35**	**1.29**
Interest on Equity Loan								
Construction financed by operations								
Cash Flow after expenses*	***165,055***	***157,050***	***148,089***	***138,123***	***122,360***	***110,224***	***96,919***	***82,385***

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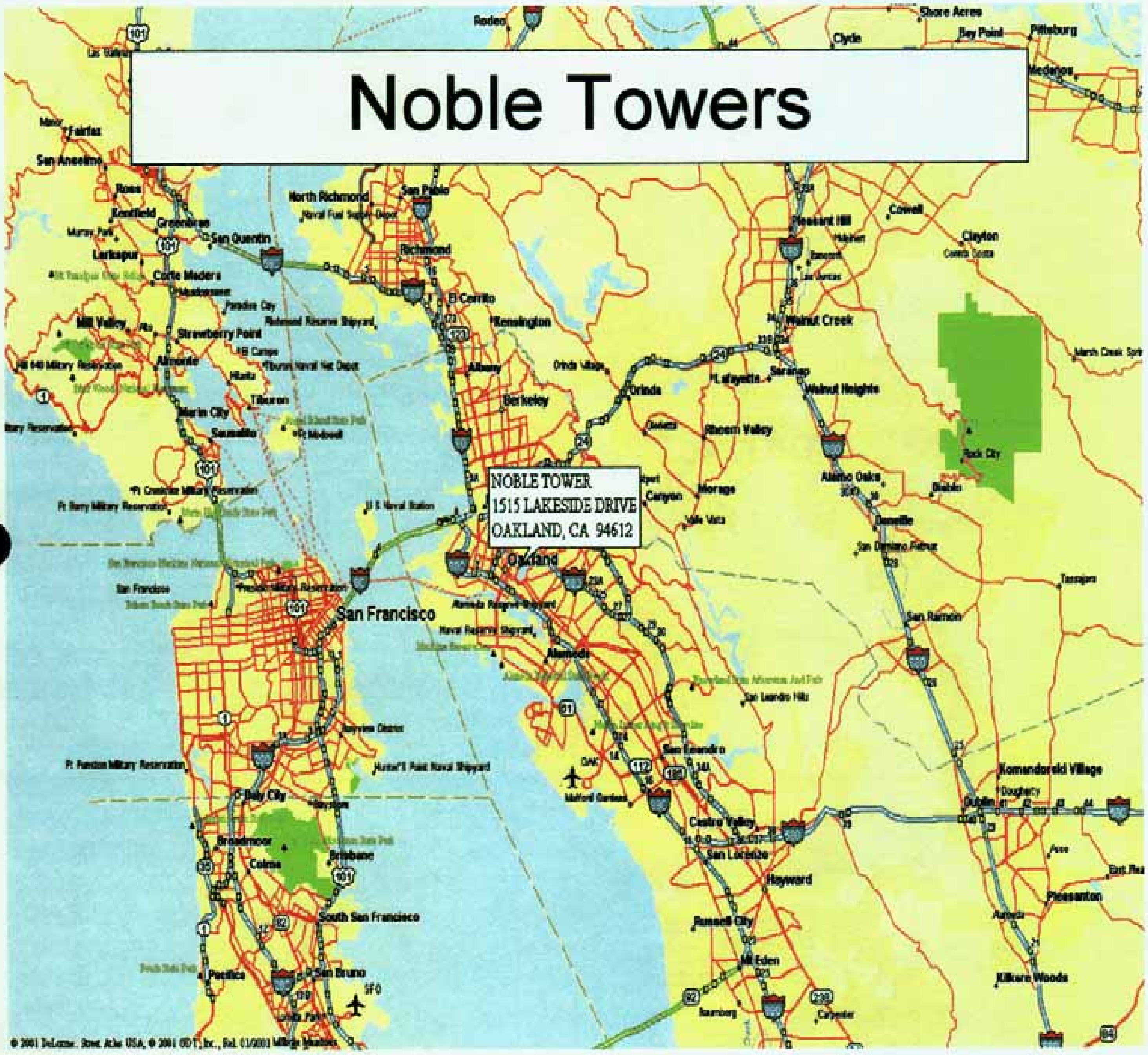
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Cowell
Alamo Oaks
San Ramon
Dublin
Pleasanton
Hayward
San Lorenzo
Castro Valley
San Leandro
Alameda
Daly City
Broadmoor
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Sausalito
Marin City
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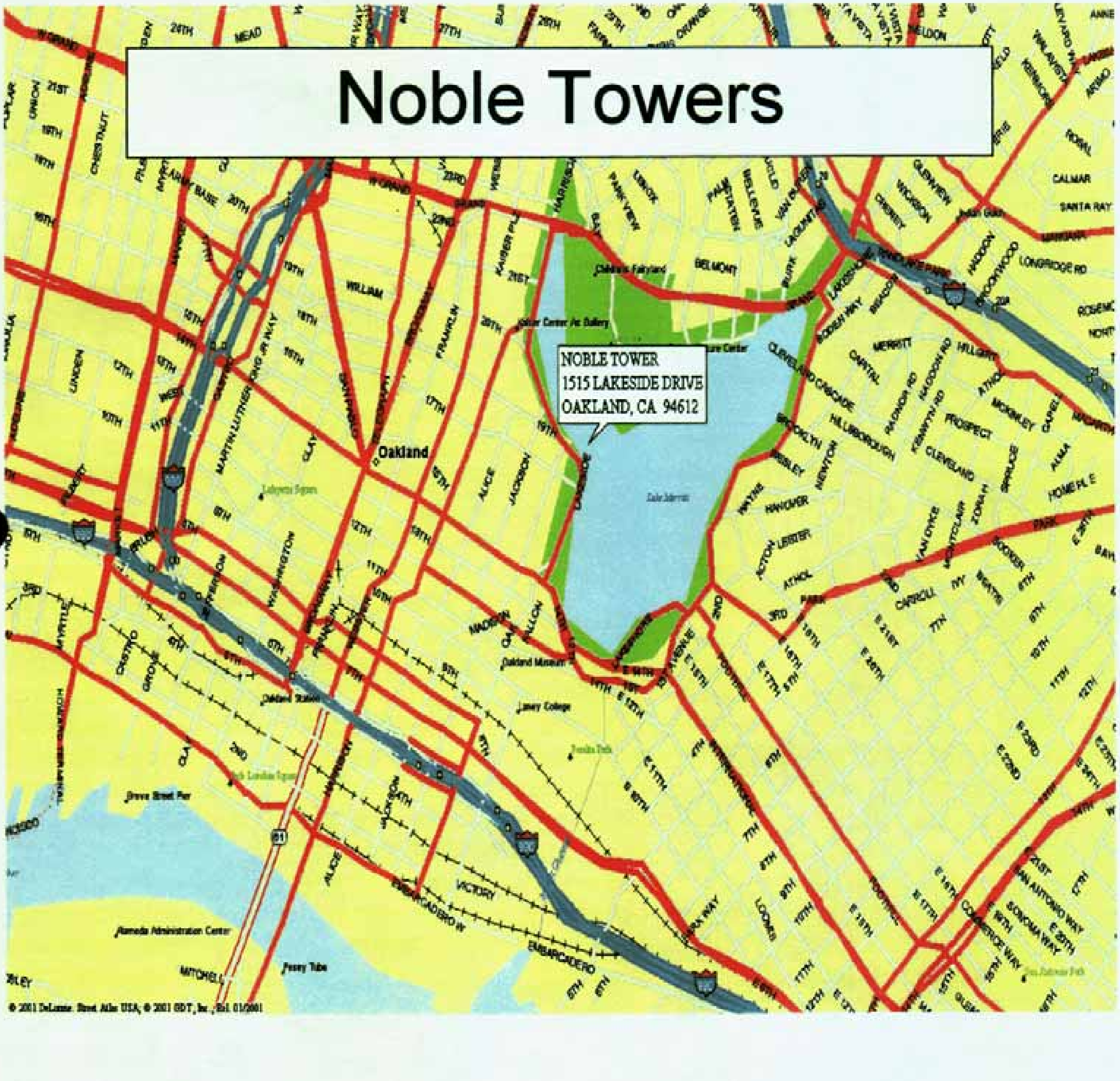
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RESOLUTION 03-02

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from East Bay Asian Local Development Corporation and Related Companies of California, on behalf of a limited partnership yet to be formed ("Borrower"), seeking a loan commitment under the Agency's Preservation Acquisition Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 195-unit multifamily housing development located in the City of Oakland to be known as Noble Towers (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated December 18, 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 and taxable bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on December 18, 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 CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNTS
02-041-A 02-041-N	Noble Towers Oakland/Alameda	195	Acquisition: $16,100,000 1st Mortgage: $ 4,000,000 2nd Mortgage: $14,555,000

Resolution 03-02
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 03-02 adopted at a duly constituted meeting of the Board of the Agency held on January 9, 2003, at Millbrae, California.

ATTEST:____________
Secretary

State of California

MEMORANDUM

To: Board of Directors **Date:** December 17, 2002

Kenneth R. Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: ANNUAL SINGLE FAMILY BOND REAUTHORIZATION RESOLUTION 03-05

Resolution 03-05 would authorize the sale and issuance of CHFA single family bonds (with related interest rate swaps and other financial agreements) for another year. Annual reauthorization enables us to schedule and size our bond transactions to meet demand for loan funds throughout the year without regard to the timing of individual Board meetings.

The resolution would authorize single family bonds to be issued in various amounts by category, as follows:

(1) equal to the amount of prior single family bonds being retired, including eligible bonds of other issuers;

(2) equal to the amount of private activity bond volume cap made available for our single family program by the California Debt Limit Allocation Committee;

(3) up to $900 million of federally-taxable single family bonds (in addition to any taxable bonds issued under the first category).

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. We again anticipate continuing to use the Home Mortgage Revenue Bond indenture, with its Aa2/AA- ratings, for our single family bond issuances in 2003. Bonds issued under this 20-year-old financing program now comprise approximately 69 % of our $8.16 billion of outstanding bonds.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2005. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize application to the State's Pooled Money Investment Board for a borrowing of up to $350 million for our warehouse line. This amount is a $100 million increase over last year's maximum amount of $250 million. The current amount borrowed from the PMIB for this purpose is $200 million; however we are requesting approval by the PMIB late in January for an increase to $250 million. This current request for an increase in the PMIA loan amount is needed to fine tune one of several strategies the Agency has employed to help reduce negative arbitrage incurred with our bond issuances. We have found that if we are able to warehouse loans an additional month and delay the delivery of bonds until we've originated a large portion of the loans for a bond issue we can further reduce negative arbitrage

In addition, the resolution would reauthorize cooperation with local agencies similar to that accomplished in 1997 when CHFA sold bonds for a joint powers authority.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 03-05 would not expire until 30 days after the first Board meeting in the year 2004 at which there is a quorum. Likewise, last year's single family resolution (02-01) will not expire until 30 days after this meeting.

During 2003 we again anticipate selling single family bonds (and arranging the related interest rate swaps) every sixty days, and we are on the State Treasurer's bond sale calendar for sales in January, March, May, July, September, and November. Locking in our cost of funds this often enables us to mitigate interest rate risk and to size transactions based on actual demand as expressed through loan reservations.

Attachment

RESOLUTION NO. 03-05

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY CONCERNING THE FINANCING OF LOANS FOR SINGLE FAMILY RESIDENCES AND THE ISSUANCE OF THE AGENCY'S BONDS FOR THAT PURPOSE

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

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Program") to make loans for the permanent financing of Residences (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the purchase of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, the Agency, pursuant to the Act, has from time to time issued various series of its Single Family Mortgage Purchase Bonds (the "SFMP Bonds"), its Home Ownership and Home Improvement Revenue Bonds (the "HOHI Bonds"), its Home Mortgage Revenue Bonds (the "HMP Bonds"), its Home Ownership Mortgage Bonds (the "HOM Bonds") and its Single Family Mortgage Bonds (the "SFMor Bonds"), and is authorized pursuant to the Act to issue additional SFMP Bonds, HOHI Bonds, HMP Bonds, HOM Bonds and SFMor Bonds (collectively with bonds authorized under this resolution to be issued under new indentures, the "Bonds") to provide funds to finance the Program;

WHEREAS, pursuant to Chapter 6 of Part 5 of Division 31 (Sections 52060 *et seq.*) of the Health and Safety Code of the State of California (the "Local Agency Assistance Act"), the Agency also has the authority to enter into agreements with cities, counties and joint powers authorities created by cities and counties (collectively, "Local Agencies"), which provide that the Agency shall sell bonds on behalf of such Local Agencies for the purpose of providing funds for home mortgages financing residences within the respective jurisdictions of such Local Agencies; and

WHEREAS, the Local Agency Assistance Act provides that although such bonds are to be bonds of the Local Agency ("Local Agency Bonds"), the proceeds of such Local Agency Bonds may be utilized in the Agency's Program, including borrowing such proceeds through the issuance of Bonds to the Local Agency;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the issuance of one or more series of Bonds, in an aggregate amount not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of Bonds and/or other qualified mortgage bonds (including bonds of issuers other than the Agency) to be redeemed or maturing in connection with such issuance,

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose, and

(c) if and to the extent interest on one or more of such series of Bonds is determined by the Executive Director to be intended not to be excludable from gross income for federal income tax purposes, $900,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2004 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before August 1, 2005 upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Forms of Indentures.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to the Treasurer as trustee and/or, if appropriate, to a duly qualified bank or trust company selected by the Executive Director to act as trustee or co-trustee with the approval of the Treasurer (collectively, the "Trustees"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following:

(a) that certain indenture pertaining to the SFMP Bonds (the "SFMP Indenture"),

(b) that certain indenture pertaining to the HOHI Bonds (the "HOHI Indenture"),

(c) that certain indenture pertaining to the HOM Bonds (the "HOM Indenture"),

(d) those certain indentures pertaining to the HMP Bonds (the "HMP Indentures"),

(e) that form of general indenture approved by Resolution No. 92-41, adopted November 12, 1992 (the "SHOP Indenture"),

(f) that form of master trust indenture proposed by the Fannie Mae ("Fannie Mae") in connection with their "MRB Express" program and approved by Resolution No. 93-30, adopted September 7, 1993 (the "Fannie Mae MRB Express Program Indenture"),

(g) that form of general indenture designed for the Fannie Mae Index Option Program and approved by Resolution No. 94-01, adopted January 13, 1994 (the "Fannie Mae Index Option Program Indenture"),

(h) those certain indentures pertaining to the SFMor Bonds (the "SFMor Indentures"),

(i) the form of draw down bond indenture approved by Resolution No. 01-04, as amended by Resolution No. 01-39, adopted November 8, 2001, and/or

(j) the form of bond indenture approved by Resolution No. 02-01, as amended by Resolution 02-17, adopted June 6, 2002.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

Section 4. **Approval of Forms of Supplemental Indenture.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, a supplemental indenture (a "Supplemental Indenture") pertaining to such series in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the SFMP Indenture, the HOHI Indenture, the HOM Indenture, the HMP Indentures or any New Indenture, as appropriate, in connection with the issuance of each such series, including, without limitation, any reserve account requirement or requirements for such series.

Section 5. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Supplemental Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum). Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit or liquidity enhancement or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 6. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more Official Statements relating to the Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 7. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

Section 8. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with the Supplemental Indenture(s) or the New Indenture(s) and in one or more of the forms set forth in the Supplemental Indenture(s) or the New Indenture(s), as appropriate.

Section 9. **Authorization of Delivery of Bonds.** The Bonds, when so executed, shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by executing the certificate of authentication and registration appearing thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

Section 10. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase Loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of the issuance of bonds or the availability of bond proceeds for such purposes.

In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities from the Pooled Money Investment Account authorized under this resolution or Resolution No. 03-06 (the multifamily bond resolution adopted at the same meeting) may not at any time exceed $300,000,000.

Section 11. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) and one or more loan servicing agreements with such lender or lenders or such servicer or servicers as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had been made by this Board. The mortgages to be purchased may be fixed rate, step rate, adjustable rate, graduated payment or any combination of the foregoing, may have terms of 30 years or less and may be insured by such mortgage insurers as are selected by the Executive Director in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements, and construction contracts, necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

Section 12. **Local Agency Cooperation.** (a) The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements with one or more Local Agencies providing that the Agency shall sell Local Agency Bonds for the purpose of providing funds for the Program for the purchase of Loans financing Residences within the jurisdiction of the applicable Local Agency. Each such agreement shall contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms and conditions authorized by this resolution, applied as appropriate under the circumstances. The Bonds shall serve as the primary source of payment of and as security for the Local Agency Bonds.

The Local Agency Bonds are hereby authorized to be sold at such time or times, on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2004 at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such sale.

(b) The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Local Agency Bonds and, after the sale of the Local Agency Bonds, to execute and circulate one or more Official Statements relating to the Local Agency Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Local Agency Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Local Agency Bonds and to distribute other information and material relating to the Local Agency Bonds.

(c) The Local Agency Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency and the Local Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Local Agency Bonds, by and among the Agency, the Treasurer, the Local Agency (if appropriate) and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Local Agency Bond Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

(d) The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Local Agency Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency and the Local Agency, and the amount of said deposit shall be applied at the time of delivery of the applicable Local Agency Bonds, as the case may be, as part of the purchase price thereof or returned to the Local Agency Bond Purchasers as provided in such purchase contract.

Section 13. **Ratification of Prior Actions**. All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds and the issuance of any prior bonds, including, but not limited to, if applicable, the distribution of its Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and application to originate and service loans, and the sale of any foreclosed property are hereby ratified.

Section 14. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this resolution. Such agreements may include remarketing agreements, a tender agreement or similar agreement regarding any put option for the Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds to, an auction rate mode, agreements for the investment of moneys relating to the Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. This resolution shall constitute separate and additional authority for the execution and delivery of such agreements and instruments without regard to any limitation in the Agency's regulations. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

Section 15. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 03-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 9th day of January, 2003, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 9th day of January, 2003.

[SEAL]

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

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 03-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 9th day of January, 2003, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

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

_______________, ____.

[SEAL]

____

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

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MEMORANDUM

To: Board of Directors **Date:** December 17, 2002

Kenneth R. Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL MULTIFAMILY BOND REAUTHORIZATION RESOLUTION 03-06

Resolution 03-06 would authorize the sale and issuance of CHFA multifamily bonds (with related interest rate swaps and other financial agreements) for another year. Annual reauthorization enables us to schedule and size our bond transactions to meet the demand for loan funds throughout the year without regard to the timing of individual Board meetings.

The resolution would authorize multifamily bonds to be issued in various amounts by category, as follows:

(1) equal to the amount of prior multifamily bonds being retired, including eligible bonds of other issuers;

(2) equal to the amount of private activity bond volume cap made available for our multifamily program by the California Debt Limit Allocation Committee;

(3) up to $400 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable multifamily bonds (in addition to any taxable bonds issued under the first category);

(4) up to $300 million for financing or refinancing the acquisition of existing multifamily loans;

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. We again anticipate continuing to utilize the Multifamily Housing Revenue Bonds III indenture, which relies on the Agency's general obligation ratings of Aa3/AA- for its credit. The $880 million of bonds now outstanding under this 5-year-old indenture comprises approximately 10.8% of our $8.16 billion of debt. Our general obligation is pledged to a total of $1.09 billion (13.3%) of our bonds, and $1 billion of these are multifamily bonds. Our general obligation acts as the credit enhancement for our multifamily program, thus eliminating any need for us or our borrowers to rely on outside sources of credit, with their costs and programmatic restrictions.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2005. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 03-06 would not expire until 30 days after the first Board meeting in the year 2004 at which there is a quorum. Likewise, last year's multifamily resolution (02-02) will not expire until 30 days after this meeting.

During 2003 we anticipate issuing multifamily bonds three times -- in June, September and December -- each in connection with the CDLAC allocation meeting schedule. We expect each of the three transactions to include additional bonds to be authorized by this resolution, such as 501(c)(3) bonds, refunding bonds, and taxable bonds.

Attachment

RESOLUTION NO. 03-06

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF THE AGENCY'S BONDS FOR THE PURPOSE OF FINANCING MULTIFAMILY HOUSING

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

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments (the "Loans"); and

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

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

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds (the "Bonds"), in an aggregate amount not to exceed the sum of the following amounts is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of prior multifamily bonds of the Agency (or of other issuers to the extent permitted by law) to be redeemed or maturing in connection with such issuance;

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose;

(c) if and to the extent the Bonds are "qualified 501(c)(3) bonds" under federal tax law, are not "private activity bonds" under federal tax law, or are determined by the Executive Director of the Agency (the "Executive Director") to be intended not to be tax-exempt for federal income tax purposes, $400,000,000; and

(d) if and to the extent the Bonds are issued for the purpose of financing or refinancing the acquisition of existing Loans that finance existing Developments, or for the purpose of refinancing such Developments, $300,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2004 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on a later date on or before August 1, 2005, upon specified terms and conditions, such Bonds may be issued on such later date; and provided, further, that Bonds being issued to refund Bonds of the type described in Section 1(d) of this resolution or to refinance Developments financed by Bonds of the type described in such Section 1(d) may be issued at any time prior to the original maturity date of the original Loans financed by such Bonds.

Section 3. **Approval of Indentures, Supplemental Indentures and Certain Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee (the "Trustee"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the Multi-Family Revenue Bonds (Federally Insured Loans) Indenture, dated as of April 17, 1979;

(2) the Multi-Unit Rental Housing Revenue Bonds Indenture, dated as of July 12, 1979;

(3) the Rental Housing Revenue Bonds (FHA Insured Loans) Indenture, dated as of June 1, 1982;

(4) the Multi-Unit Rental Housing Revenue Bonds II Indenture, dated as of September 1, 1982;

(5) the Multifamily Rehabilitation Revenue Bonds, 1983 Issue A Indenture, dated as of December 1, 1983;

(6) the Multifamily Housing Revenue Bond (Insured Letter of Credit 1984-I) Indenture, dated as of March 1, 1984;

(7) the Housing Revenue Bond Indenture, dated as of July 1, 1984;

(8) the Multifamily Rehabilitation Revenue Bond, 1985 Issue A, Indenture, dated as of March 1, 1985;

(9) the form of indenture approved by the Board of Directors of the Agency at its May 11, 1989 meeting for the Financial Guaranty Insurance Company program;

(10) the Housing Revenue Bond II Indenture, dated as of July 1, 1992;

(11) the Multifamily Housing Revenue Refunding Bond Indentures, dated as of July 1, 1993 (including as originally delivered and as amended and restated);

(12) the Multifamily Housing Revenue Bond (Tara Village Apartments), 1994 Series A, Indenture, dated as of November 1, 1994;

(13) the Multifamily Housing Revenue Bond (FHA Insured Mortgage Loans) Indenture, dated February 1, 1995;

(14) the Multifamily Housing Revenue Bond II Indenture, dated as of October 1, 1995;

(15) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;

(16) the form of commercial paper note indenture presented to the May 11, 2000 meeting of the Agency;

(17) the Multifamily Loan Purchase Bond Indenture, dated as of July 1, 2000;

(18) the form of draw down bond indenture approved by Resolution No. 01-05, as amended by Resolution No. 01-39, adopted November 8, 2001; or

(19) the form of bond indenture approved by Resolution No. 02-02, as amended by Resolution 02-17, adopted June 6, 2002.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Bonds, a supplemental indenture (a "Supplemental Indenture") pertaining to such series in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Prior Indentures, in each case, with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the New Indentures, as appropriate, in connection with the issuance of each such series.

(c) For each series of Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, a letter of credit agreement or any other arrangement with respect to credit or liquidity support in substantially the forms of the reimbursement agreements, letter of credit agreements or other such arrangements contemplated under the New Indentures or used in connection with the bonds issued under one or more of the Prior Indentures.

(d) Any New Indenture, Supplemental Indenture or reimbursement agreement, letter of credit agreement or other such arrangement as finally executed may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following provisions:

(1) for the Agency's insured or uninsured, limited or general, obligation to pay any debt secured thereby,

(2) for a pledge of an amount of the Supplementary Bond Security Account to the extent necessary to obtain an appropriate credit rating or appropriate credit enhancement,

(3) for a pledge of additional revenues which may be released periodically to the Agency from the lien of one or more indentures heretofore entered into by the Agency, including but not limited to one or more of the following:

(A) the Prior Indentures,

(B) the Home Mortgage Revenue Bond Indenture, dated as of September 1, 1982, as amended, and

(C) the indentures under which are issued the Single Family Mortgage Bonds,

(4) for a deposit of such other available assets of the Agency in an appropriate amount in furtherance of the Program,

(5) for risk sharing provisions dividing between the Agency and any credit provider and/or FHA, in such manner as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, the credit and financing risks relating to the Bonds and the Developments financed by the Bonds,

(6) for a liquidity facility,

(7) for contingent or deferred interest, or

(8) for the use or application of payments or receipts under any arrangement entered into under Section 9 of this resolution.

Section 4. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum). Commercial paper shall be treated for these purposes as variable rate bonds. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit or liquidity enhancement or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 5. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more official statements relating to the Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 6. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of this Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement as finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be retained by the

Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such agreement.

Section 7. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary of this Board is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each New Indenture or Supplemental Indenture in one or more of the forms set forth in such New Indenture or Supplemental Indenture.

Section 8. **Authorization of Delivery of Bonds.** The Bonds when so executed, shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Purchasers, upon payment of the purchase price thereof.

Section 9. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of the issuance of bonds or the availability of bond proceeds for such purposes.

In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities from the Pooled Money Investment Account authorized under this resolution or Resolution No. 03-05 (the single family bond resolution adopted at the same meeting) may not at any time exceed $300,000,000.

Section 10. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary in connection with the Program, including, but not limited to, regulatory agreements, loan agreements, origination and servicing agreements (or other loan-to-lender documents), servicing agreements, developer agreements, financing agreements, investment agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements and continuing disclosure agreements, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements, and construction contracts, necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

Section 11. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds and the issuance of any prior bonds are hereby approved and ratified.

<u>Section 12</u>. **<u>Authorization of Related Actions and Agreements</u>.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this resolution. Such agreements may include remarketing agreements, a tender agreement or similar agreement regarding any put option for the Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds to, an auction rate mode, agreements for the investment of moneys relating to the Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. This resolution shall constitute separate and additional authority for the execution and delivery of such agreements and instruments without regard to any limitation in the Agency's regulations. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

<u>Section 13</u>. **<u>Additional Delegation.</u>** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 03-06 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 9th day of January, 2003, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 9th day of January, 2003.

[SEAL]

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

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 03-06 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 9th day of January, 2003, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

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

__________________, _____.

[SEAL]

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

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State of California

MEMORANDUM

To: Board of Directors **Date:** December 17, 2002

Kenneth R. Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE RESOLUTION 03-07

The California Debt Limit Allocation Committee ("CDLAC") is the State entity which, under California law, allocates the federal volume cap for "private activity bonds" to be issued each year by State and local bond issuers. Private activity bonds are federally tax-exempt bonds which are issued to benefit non-governmental borrowers such as first-time homebuyers or owners of affordable rental housing developments.

Resolution 03-07 would authorize application to CDLAC for a maximum of $600 million of single family allocation and $400 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 03-05 and 03-06, which authorize the issuance of single family and multifamily bonds, are themselves in effect.

The California Debt Limit Allocation Committee met on December 10 to allocate any unused volume cap (carryforward) from 2002. At this meeting, the committee took action to grant to the Agency ¾ of the amount of all unused 2002 volume cap for use in our home ownership program. As of this writing, this amount was estimated to be $108 million, but was expected to grow as issuers fail to use the entire amounts granted in CDLAC's third round. We were allocated $73.8 million of carry forward in December 2001 for this purpose. The amount of 2003 volume cap to be allocated to the Agency at the March 2003 CDLAC meeting will be partially offset by the amount of 2002 carryforward we receive.

CDLAC is scheduled to meet in January to officially establish the new State ceiling amount. The State ceiling for 2002 was $2.59 billion. At this same meeting CDLAC is also expected to determine amounts for each type of private activity -- e.g., single family (including the division between CHFA and local issuers), multifamily, student loans, exempt facilities, industrial development. By the time of the Board meeting we may know what amounts for housing are being recommended by the CDLAC staff.

CDLAC has scheduled three rounds of allocations during 2003. Applications for multifamily rental housing will be considered at all three proposed allocation meetings, currently scheduled to occur in the months of March, June, and September. Applications for single family programs will be considered only at the March meeting.

The amounts proposed in the resolution are greater than we would expect to apply for. However, the presumption is that the Board would not want CHFA to be ineligible to apply for more if unforeseen circumstances made large amounts of allocation available later in the year.

The attached table shows the amount of volume cap allocated to CHFA and to local housing issuers over the past several years.

Attachments

CDLAC ALLOCATIONS 1998 - 2002

	MULTIFAMILY			SINGLE FAMILY		
ap	Total	To CHFA	% of Total	Total	To CHFA	% of Total
00	$852,876,801	$56,060,000	6.6%	$428,854,349	$228,862,068	53.4%
00	$889,099,275	$36,782,500	4.1%	$471,906,175	$237,452,500	50.3%
50	$911,644,686	$159,315,000	17.5%	$434,254,880	$217,128,000	50.0%
62	$1,099,132,743 (2)	$123,550,000 (2)	11.2%	$670,707,371 (1) (3)	$369,775,798 (3)	55.1%
50	$1,294,941,472	$119,445,000	9.2%	$811,942,394 (1) (4)	$469,400,000 (4)	57.8%

Credit Teacher Home Purchase Program.
ily carry forward allocation.
family carry forward allocation.
st $108,000,000 single family carry forward allocation.

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RESOLUTION NO. 03-07

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS FOR THE AGENCY'S SINGLE FAMILY AND MULTIFAMILY PROGRAMS

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

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Single Family Program") to make lower-than-market-rate loans for the permanent financing of Residences;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Single Family Program;

WHEREAS, the Agency has by its Resolution No. 03-05 authorized the issuance of bonds for the Single Family Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

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

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Multifamily Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments; and

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Multifamily Program;

WHEREAS, the Agency has by its Resolution No. 03-06 authorized the issuance of bonds for the Multifamily Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Authorization to Apply to CDLAC for the Single Family Program.** The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to $600,000,000 per year to be used in connection with bonds issued under Resolution No. 03-05 or resolutions heretofore or hereafter adopted by the Agency for the Single Family Program. In the alternative, subject to the approval of CDLAC and under such terms and conditions as may be established by CDLAC, any such allocation received is authorized by this Board to be used in connection with a mortgage credit certificate program or in connection with a teacher home purchase program.

Section 2. **Authorization to Apply to CDLAC for the Multifamily Program.** The officers of the Agency are hereby authorized to apply from time to time to CDLAC for private activity bond allocations in an aggregate amount of up to $400,000,000 per year, to be used in connection with bonds issued under Resolution No. 03-06 or resolutions heretofore or hereafter adopted by the Agency for the Multifamily Program.

Section 3. **Authorization of Related Actions and Agreements.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 03-07 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 9th day of January, 2003, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 9th day of January, 2003.

[SEAL]

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

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MEMORANDUM

To: Board of Directors

Date: December 17, 2002

Ken Carlson

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AUTHORIZATION TO INVEST IN BONDS
RESOLUTION 03-08

Attached for the Board's consideration is a new Resolution 03-08 to authorize the Agency to invest in unrated mortgage-backed bonds issued by other entities. Section 51003 of the California Health and Safety Code authorizes the Agency to invest in obligations as permitted by Board resolution, thus providing latitude to the Board to establish investment policies.

The intent of Resolution 03-08 is to allow staff to buy bonds that would be backed by the same types of special purpose mortgage loans that our Housing Assistance Trust would purchase directly, such as loans for downpayment assistance. Packaging pools of downpayment assistance loans into bonds provides a convenient mechanism for multiple entities to share in their funding.

Two commitments were made by the former Director of Insurance where we would share, on a 50/50 basis, the funding for up to $16 million for downpayment assistance loans. The first agreement is to buy up to $4 million of bonds to be issued by a non-profit called Rural Alliance, Inc. (RAI) that is helping with the Santa Clara County Housing Trust program. Under this program, a participating lender will originate both first and second mortgages to enable moderate-income borrowers to purchase homes in Santa Clara County. While CalHFA will insure both loans, the first will be held by the lenders or sold to private investors. The insured 3%, deferred-payment second mortgages will be pooled and securitized by RAI. We and the Santa Clara County Housing Trust will be co-investors in these bonds. The second agreement is to buy up to $4 million of bonds to be issued by RAI for the San Francisco Workforce Housing Program. The San Francisco Housing Trust will be the co-investor in these bonds.

In the future we may also wish to participate in additional programs by means of investment in bonds backed by special purpose loans rather than through direct investment in such loans. Such additional programs could support any of the Agency's objectives as determined by the board through approval of the Agency's Business Plan. Resolution 03-08 would allow this funding mechanism to be used for either homeownership or multifamily programs.

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RESOLUTION NO. 03-08

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY CONCERNING THE INVESTMENT IN MORTGAGE-BACKED BONDS ISSUED BY OTHER ENTITIES

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

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

WHEREAS, the Agency's Business Plan sets forth programs involving the investment of Housing Assistance Trust moneys in special purpose loans that may have extremely low rates of interest and liberal repayment terms not normally found in private market transactions;

WHEREAS, other affordable housing entities, including nonprofit organizations, seek funding for similar special purpose loans through the issuance of unrated securities backed by such loans;

WHEREAS, the Agency's financial risk in investing in special purpose loans would not be essentially different if it invested in these loans directly or invested in unrated securities backed by such loans; and

WHEREAS, pursuant to Part 3 of Division 31 Chapter 3, Section 51003 of the California Health and Safety Code, the Agency may invest moneys of the California Housing Finance Fund in obligations or financial institutions as are permitted by board resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Authorization to Invest in Mortgage-Backed Bonds Issued by Other Entities**. The officers of the Agency are hereby authorized to invest funds from the California Housing Finance Fund to buy unrated mortgage-backed bonds issued to finance special purpose mortgage loans in order to achieve the goals of the Agency's Business Plan.

Section 2. **Authorization of Related Actions and Agreements**. The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution.

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MEMORANDUM

To: **Board of Directors** **Date:** 12-20-02

Tom Hughes, General Counsel

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: 2003 Contracting (Resolution 03-09)

At the last Board of directors meeting, I advised the Board members that the Agency staff would be presenting a contracting resolution for consideration at the January 9,2003 meeting. The resolution is intended to authorize the Executive Director to execute certain contracts that otherwise may require Board approval.

Health & Safety Code §50914(a) provides that the Board of Directors shall approve "major contractual obligations". Although the statute does not define "major contractual obligations", the term is defined by regulation to mean contracts which impose a "financial obligation or liability" on the Agency in excess of $500,000. The regulation requires all contracts to be approved by the General Counsel, and further gives the General Counsel the ability to issue interpretive opinions regarding the regulation. Finally, in the event that a contract does not specify a definite amount of a financial obligation, the amount of the obligation may be determined by the General Counsel under the interpretive authority described above.

In practice, it is often difficult or impossible to determine whether certain contracts will exceed the threshold amount over their lifetime. Although most contracts run for a specified term, the contract may later be amended one or more times to extend the term and increase the approved compensation amount. Moreover, the compensation to be paid under contracts based upon a factor other than fixed fees or hourly rates (such as contracts whose compensation provisions are based upon a volume of business), may not be readily determinable. In such event, the statute and regulation may require Board approval if the amount of obligation ends up exceeding the threshold.

The Agency believes that the best solution at this time is to have the Board annually approve routine contracting for certain defined types of agreements. This is similar to the approach that the Board has long taken in connection with bond-financed lending programs. The annual bond resolutions approve a wide variety of contracts required to finance and implement those lending programs. The proposed resolution lists by program and operating division, the types of contracts for which the Agency seeks authority without additional Board approval. For the most part, the contracts so authorized are consulting contracts. In some cases, compensation will not likely exceed $500,000 over the ultimate life of the contract, but approval is sought in order to resolve any authority issues in the event that compensation for any of the listed contracts does prove to exceed $500,000.

It should be noted that nothing in the proposed resolution is intended to waive compliance with any applicable law, regulation or contracting policy otherwise applicable in any given situation. Staff is still expected to follow applicable CalHFA contracting rules, as well as applicable state laws. The effect of the regulation is simply to permit the executive Director, or her designee, to execute such contracts without the need for an additional Board hearing. Contracts subject to the threshold amount that are not approved in the annual resolution, or in another applicable resolution, would still need to be approved by the Board of Directors.

RESOLUTION 03-09

WHEREAS, the Board of Directors of the California Housing Finance Agency ("Agency") is empowered by California Health & Safety Code Section 50914(a) to authorize "major contractual obligations" of the Agency; and

WHEREAS, Title 25 California Code of Regulations Section 13302(b) defines such major contractual obligations as those exceeding the sum of $500,000; and

WHEREAS, Title 25 California Code of Regulations Section 13302(b) and (g) permit the General Counsel of the Agency to make certain determinations and interpretations regarding the need for approval of particular contracts by the Board of Directors of the Agency; and

WHEREAS, the Board of Directors has determined that the Executive Director should have the authority to enter into certain types of major contractual obligations on a continuing basis, without the need for additional approval beyond the authority granted in this resolution; and

WHEREAS, the Board of Directors finds that the grant of such authority is necessary and proper to insure that the Executive Director of the Agency will be able to execute new contracts, and amend existing contracts, on a timely basis; and

WHEREAS, this resolution is intended to assist the General Counsel of the Agency in making the determinations and interpretations provided for by regulation; and

WHEREAS, the Board of Directors is concurently enacting Resolutions 03-05 and 03-06, which, among other things, authorize the Agency to enter into certain contracts and agreements relating to the financing and implementation of bond financed lending programs; and

WHEREAS, the Board of Directors wishes to extend to the Agency certain authority to enter into contracts and agreements in addition to the contracts and agreements referenced in Resolutions 03-05 and 03-06, as specified herein,

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

1. The Executive Director of the Agency, or the officers or employees of the Agency, duly authorized by the Executive Director, may, during the calendar year 2003, and for that portion of calendar year 2004 that precedes the first regularly scheduled meeting of the Board of Directors in such year, execute such new contracts, and amend such existing contracts, in which the financial obligation or liability may be expected to exceed $500,000 over the term of such contracts, as specified by this resolution, without the need for further Board approval.

2. The contracts and agreements authorized by the Board of Directors, as provided above, are as follows:

(a) Homeownership Programs

(i) Contracts for consulting services or information services relating to homeownership lending programs.

(ii) Contracts relating to the sale or other disposition of residential structures acquired by foreclosure or deed in lieu of foreclosure

(b) Multifamily Lending Programs

(i) Contracts for consulting services or information services relating to multifamily lending programs.

(ii) Contracts for underwriting and origination of multifamily loans.

(iii) Contracts for loan purchases or sales.

(c) Special Programs

(i) Contracts and loan documents relating to the award of HELP, tax increment, or similar loans to cities, counties, redevelopment agencies, public housing authorities, or similar local agencies.

(d) Mortgage Insurance Services

(i) Contracts for consulting services or information services relating to mortgage insurance programs.

(ii) Contracts for services relating to reinsurance or co-insurance of obligations insured by the Agency.

(iii) Contracts relating to the sale or other disposition of insured residential structures acquired by foreclosure or deed in lieu of foreclosure.

(e) Administration

(i) Contracts for consulting or information services relating to personnel and human relations issues.

(ii) Lease agreements for space, including leases, lease amendments and related agreements for the premises at the Senator Office Building, at 1121 L Street, Sacramento, CA; the premises at 100 Corporate Pointe, Culver City, CA; and the premises at the Meridian Plaza Building, 14th and L Street, Sacramento, CA.

(iii) Policies or contracts of insurance, including commercial liability, property, earthquake, and other forms of standard commercial insurance.

(f) Office of General Counsel

(i) Contracts for retention of counsel in any pending or anticipated litigation, including the pending actions of California Housing Finance Agency v. Tomanek, et al., Alameda County Superior Court No. H214300-8, and California Housing Finance Agency v. Hanover California Management & Accounting Center et al., Orange County Superior Court No. 02CC10634.

(ii) Contracts for legal services as needed relating to the lending or insurance programs of the Agency, or the administrative functions of the Agency.

(g) Financing

(i) Contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters.

(ii) Contracts for financial printing and similar services.

(h) Marketing

(i) Contracts for CalHFA branding and marketing services.

(ii) Contracts for advertising.

(i) Asset Management

(i) Contracts for property management or inspection services.

(ii) Contracts for consulting or information services relating to the management of properties financed by Agency loans.

(j) Fiscal Services

(i) Contracts for auditing and accounting services.

(ii) Contracts for consulting or information services relating to financial reporting, accounting issues, and arbitrage rebate calculation services.

(iii) Contracts for loan servicing, purchase or transfer of loan servicing rights, and foreclosure services (including bankruptcy, property inspection, appraisal, property acquisition and property management services).

(k) Information Technology

(i) Contracts for computer and information technology hardware and software for Agency programs or administration.

(ii) Contracts for information technology consulting services.

3. Nothing in this resolution is intended to supercede any Agency policies or procedures regarding contracting, nor is it intended to abrogate compliance with any provision of statute, regulation, or other law regarding contracting, other than to authorize the contracts specified herein without further Board action.

I hereby certify that this is a true and correct copy of Resolution 03-09 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 9, 2003, at Millbrae, California.

ATTEST: ______________________
Secretary

State of California

MEMORANDUM

To: **Board of Directors** **Date:** 12-20-02

Tom Hughes, General Counsel
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Proposed Resolution 03-10 (Mortgage Insurance Regulations)

During 2002, the Agency has undertaken a complete review of its mortgage insurance programs and the infrastructure of the Mortgage Insurance Services division. One of the components of that review has involved looking closely at the statutory framework within which the mortgage insurance program operates, as well as the regulations that have been adopted by the Agency over the years. The Agency may ultimately recommend that statutory changes be sought that would address a variety of legal and programmatic issues, as well as provide a basis for the amendment or repeal of certain regulations which currently implement some of those statutes. At this time, however, the Agency has identified two regulations that need to be updated to reflect current business models of the program. The amendment of these two regulations does not require statutory changes. The approval of the Board of Directors, however, is required to institute the process to amend these rules.

Health & Safety Code §51654 permits the Agency to insure both single family and multi-family loans. The first regulation at issue, Title 25 California Code of Regulations §19200, implements this statute by further defining the type of loans that the Agency will insure. The current, outdated version of the regulation differentiates between loans made by the Agency, and loans made by third parties. The proposed revision would eliminate that distinction, and would reflect the current business practice of insuring loans made by both the Agency, as well as third party lenders.

The second regulation, Title 25 California Code of regulations §19205, would update the loan to value limitations on insured loans. Health & Safety Code §51652 permits the Agency to set the loan to value limits on insured loans. By regulation, that limitation has been set at 97% of value. That limit is outdated. By contrast, under AB 1486, passed in 2002, private mortgage insurance companies will be able to insure loans with loan to value ratios up to 103%. The proposed regulation would permit the Agency to insure loans of up to 107% of value. The higher ratio permits more innovative mortgage insurance products, such as combinations of first and second loans that will lend amounts over 100% to fund up front mortgage insurance premiums and buy downs of interest rate.

Title 25, Division 2, Chapter 10, Article 2, § 19200 of the California Code of Regulations shall be amended to read as follows:

---

§19200. Loans Eligible for Insurance.

The California Housing Finance Agency ("Agency") may insure the following types of loans:

(a) Loans ~~made by the Agency~~ to finance the construction, acquisition, rehabilitation or improvements to single family residential structures.

(b) Loans ~~made by the Agency~~ to finance the construction, acquisition, rehabilitation or improvements to rental housing developments.

~~(c) Non-Agency financed loans to finance the construction, acquisition, rehabilitation or improvements to rental housing developments where at least 10 percent of the dwelling units are made available to lower income households as provided in Section 51226(b) of the Code.~~

NOTE: Authority cited: Section 51050(e), Health and Safety Code.

Reference: Section 51654, Health and Safety Code.

PROPOSED AMENDMENT TEXT

Title 25, Division 2, Chapter 10, Article 2, § 19205 of the California Code of Regulations shall be amended to read as follows:

---

§19205. Loan Terms--Maximum Length and Loan to Value Ratio.

The Agency will not insure loans which have a longer term or higher loan to value ratio than set forth below. The maximum loan term is in all cases to be no greater than 4/5 of the economic life of a structure even if that period is less than the maximum set forth herein. In cases where the structure is older than five years, the Agency will require an appraisal to establish the economic life of the structure.

	Maximum Loan Term	Maximum Loan to Value Ratio
Loans for single family residential structures (other than property improvement loans not involving an acquisition or refinance of an existing loan).	32 years	~~97%~~ 107% *
Property improvement loans for single family residential structures not involving an acquisition or refinance of an existing loan.	15 years	90% *
Loans for multifamily rental housing developments.	40 years	90% *

* Total of all loans on property including property improvement and rehabilitation loans.

NOTE: Authority cited: Section 51050(e), Health and Safety Code.

Reference: Section 51652, Health and Safety Code.

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RESOLUTION 03-10

RESOLUTION APPROVING PROPOSED AMENDMENT TO REGULATIONS CONCERNING LOANS ELIGIBLE FOR MORTGAGE INSURANCE

WHEREAS, the California Housing Finance Agency (the "Agency") through its Board of Directors (the "Board") is authorized to adopt and, where appropriate, to amend or repeal regulations; and

WHEREAS, the Board has determined that the proposed amendments to the Agency regulations attached hereto are necessary and appropriate for adoption by the Agency,

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

1. The attached amendments to the Agency's regulations, incorporated herein by reference, concerning loans eligible for mortgage insurance, are hereby approved.

2. The staff is directed to give public notice, conduct any required public hearing and take such other action as may be necessary or proper for the adoption by the Agency of such amended regulations. The staff is authorized to make non-material revisions to these amendments, without further Board approval, as may be appropriate in the course of promulgating these amendments.

I hereby certify that this is a true and correct copy of Resolution 03-09 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 9, 2003, at Millbrae, California.

ATTEST: ________________________
Secretary

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