Cal HFA

# BOARD OF DIRECTORS



Thursday, March 20, 2003

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California
(916) 446-0100

9:30 a.m.

1. Roll Call.
2. Approval of the minutes of the January 9, 2003 Board of Directors meeting.
3. Chairman/Executive Director comments.
4. Discussion, recommendation and possible action relative to final loan commitments for the following projects:

**NOTES**

HOTEL PARKING: Parking is available as follows: (1) limited valet parking is available at the hotel; and (2) city parking lot is next door at rates of $2.00 per hour for the first two hours, $1.25 per every ½ hour, thereafter, with a maximum of $14.00.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be May 15, 2003, at the Hilton Burbank Airport & Convention Center, Burbank, California.

ORIGINAL

**STATE OF CALIFORNIA**

**CALIFORNIA HOUSING FINANCE AGENCY**

**BOARD OF DIRECTORS**

**PUBLIC MEETING**

The Westin Hotel
San Francisco International Airport
Millbrae, California

Thursday, January 9, 2003
9:40 a.m. to 12:30 p.m.

"Minutes approved by the
Board of Directors at its
meeting held: March 20, 2003
Attest: [signature]"

Reported and Transcribed by: Gail Christopherson-Schurr

THIS PAGE INTENTIONALLY LEFT BLANK

# A P P E A R A N C E S

**Directors Present:**

CLARK WALLACE, Chairman

JULIE I. BORNSTEIN

CARRIE A. HAWKINS

BOB KLEIN

LUPITA OCHOA

THERESA A. PARKER

JEANNE PETERSON

CATHY SANDOVAL

JACK SHINE

**Staff Present:**

TOM HUGHES, General Counsel

JOJO OJIMA

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

**For the Staff of the Agency:**

NANCY ABREU

MARGARET ALVAREZ

KEN CARLSON

ED GIPSON

IRENE JENKINS

ROGER KOLLIAS

RICHARD LaVERGNE

DOM MAIO

DI RICHARDSON

JACKIE RILEY

LAURA-WHITTALL-SCHERFEE

JERRY SMART

LINN WARREN

KATHY WEREMIUK

**Counsel to the Agency:**

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

**Members of the Public:**

BILL WHITTE, Related Companies

KEN REINER, Related Companies

# INDEX

THIS PAGE INTENTIONALLY LEFT BLANK

**BOARD SECRETARY'S NOTE**

The meetings of the Board of Directors of the California Housing Finance Agency are typically transcribed verbatim by a court reporter, and the verbatim record serves as the official minutes of the Board. On January 9, 2003, the regularly scheduled court reporter did not appear. The meeting commenced as scheduled. During the meeting, staff obtained a tape recorder and taped the proceedings. That tape served as the basis for the transcribed record. Because the tape recorder was not procured until after the meeting started, the initial portions of the meeting were not recorded. The initial portions of the meeting are, therefore, summarized by the Secretary.

Thomas C. Hughes
Secretary to Board of Directors

THIS PAGE INTENTIONALLY LEFT BLANK

**P R O C E E D I N G S**

**THURSDAY, JANUARY 9, 2003 MILLBRAE, CALIFORNIA 9:40 A.M.**

Chairman Wallace called the meeting to order at 9:40 a.m. Voting members Wallace, Bornstein, Klein, Shine and Peterson (on behalf of member Angelides) were present. Non-voting members Parker and Ochoa were present. Staff Thomas C. Hughes, General Counsel, and JoJo Ojima, Secretary, were present.

The Chairman announced that there was not a quorum present.

Item 2 of the agenda was deferred due to the absence of a quorum.

Item 3 was called at 9:44 a.m. Executive Director Parker made introductory remarks.

Items 4 through 11 were deferred due to the absence of a quorum.

Item 12 was called at 9:45 a.m. Director of Financing Ken Carlson summarized recent bond sales and interest rate swaps, as well as other financings. Bond Counsel Stan Dirks of Orrick, Herrington & Sutcliffe explained certain tax rules relating to refundings.

At 9:57 a.m., Cathy Sandoval, on behalf of member Contreras-Sweet, arrived. At 10:02 a.m., Ken Carlson's presentation was deferred until later in the meeting. The roll was called, and a quorum was declared.

Item 2, the approval of the minutes of the November 14, 2002 meeting, was called at 10:05 a.m. Director Shine indicated that at page 084, line 5, "GNA" should read "G and A." Director Bornstein moved approval of the minutes. Director Sandoval seconded the motion. Public comments were solicited by Chairman Wallace. The roll was called, and the vote was as follows:

Aye: Chairman Wallace, Directors Bornstein, Klein, Peterson, Shine, and Sandoval.

No: None.

The motion passed.

At 10:06 a.m., Item 4, approval of loan commitments, was called.

Linn Warren and Kathy Weremiuk presented the Noble Towers Loan. Bill Whitte and Ken Reiner of the Related Companies made comments. Directors Peterson, Sandoval, Shine, Klein and Ochoa made comments or asked questions. At 10:39 a.m., Director Bornstein moved approval of Resolution 03-02. Director Sandoval seconded the motion. The roll was called, and the vote was as follows:

Aye: Chairman Wallace, Directors Bornstein, Klein, Peterson, Shine, and Sandoval.

No: None.

Resolution 03-02 was approved.

At 10:40 a.m., Linn Warren, Ed Gipson, and Laura

Whittal-Scherfee presented the Kennedy Meadows Loan. Directors Sandoval, Peterson, Shine and Chairman Wallace made comments or asked questions.

At 10:42 a.m., Director Hawkins arrived.

Director Shine moved approval of Resolution 03-01. Director Klein seconded the motion. Chairman Wallace solicited public comments. The roll was called, and the vote was as follows:

Aye: Chairman Wallace, Directors Bornstein, Klein, Peterson, Shine, Sandoval, and Hawkins.

No: None.

Resolution 03-01 was approved.

At 10:50 a.m., Chairman Wallace left the meeting. Vice Chair Hawkins presided. Item 5, Resolution 03-05 relating to the authorization of the Agency's single family bond indentures was called.

Chairman Wallace returned to the meeting. Directors Klein, Hawkins and Shine made comments or asked questions. Director Klein moved approval of Resolution 03-05. Director Bornstein seconded the motion. Chairman Wallace solicited public comments. The roll was called.

At this point in the proceedings, the tape recording of the meeting commenced.

MR. WALLACE: Okay, let's go on to item 6.

**RESOLUTION 03-06**

MR. CARLSON: Thank you, Mr. Chairman. Discussion for Resolution 03-06 begins on page 157 and the resolution on 159. Here, again, we are looking at the annual delegation authority to issue multifamily bonds, volume limits described there similar to what we have in single family. Here we would use, put again, continue to use the indenture we call multifamily housing revenue bonds and use as credit. The main credit enhancement are on general obligation ratings of double A3 ratings from Moody's and double A minus from Standard & Poor's. This resolution would authorize us, of course, to enter into the same types of financial agreements we talked about in single-family, interest rates, swaps, investment agreements and give us the authority to hire the consultants and attorneys and others like that that we need in order to keep the program going. Here's what we plan to do -- our financing schedule will be in tandem with the schedule for the Debt Limit Allocation Committee, which is planning now three rounds again this year for multifamily and generally we will be issuing that within 90 days of those meetings and our debt -- we will be selling bonds not only for the new money volume cap that we receive but also for fundings, for 501(c)(3) bonds, we may need to sell some more taxable bonds. So, each issue would include a number of those components at the same time. With that, I'm happy to take questions and seek your approval of Resolution 03-06.

CHAIRMAN WALLACE: Any questions about this continuing authority, the Chair will accept the motion of Mr. Shine. Second. And Mr. Klein. Do you want me to get someone else, Shine? [Laughter] Okay, any questions on the motion by the Board or the audience? Hearing and seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

MS. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-06 has been approved.

CHAIRMAN WALLACE: Resolution 03-06 is hereby approved. Let's go on to item 7, Ken.

**RESOLUTION 03-07**

MR. CARLSON: Thank you, Mr. Chairman. This is again the third of the usual annual authorizations that come up in January. This would be an authorization for us to apply to the Debt Limit Allocation Committee for our annual volume cap. The memo is on page 171, and then there are a couple of tables; a table on 173 and a resolution on 175. What's interesting here, again, is that there's volume cap left over at the end of the year. We understand that we talked yesterday to the staff of the committee; they said that the $156 million was left over from 02, and the committee took action in December to determine how that leftover volume cap would be used. We are going to be given three-quarters of it. There's -- and then that will be in effect added to the volume cap for 03 and then divided in half between us and the local agencies. So, we'll get the $156 million that they calculated as of this morning, or yesterday morning; they expect, they're still waiting to hear from 27 other deals that are being issued to see whether all of volume cap was used. So we will get a substantial amount. Last year we got about 75 million, I think, carried forward. So this year, obviously it's going to be more than 100 million; it's going to be three-quarters of that.

MS. PARKER: Only half of it is ours.

MR. CARLSON: Well, yes, in effect. Yes. The next; let's see, whoops, that's never mind. Let's see.

MS. PARKER: Can I just say one other thing, Ken, while everybody's turning pages -- I think that chart on 173 is very good.

MR. CARLSON: You bet. I was just turning to it.

MS. PARKER: The only thing I would note from that standpoint on the single family side is that when we were doing a Business Plan a couple of years ago, a lot of what we were essentially doing and saying is predicated on the assumption that we could get a sufficient amount of authorization from the Debt Limit Allocation Committee in ever-growing higher numbers, and particularly given the increase at the federal level but also the fact that homeowners -- multifamily -- has not taken as much as one may have hoped. Single-family has been growing and we could certainly use all of that we possibly can. At the same time, the amount coming from volume cap to the California Housing Finance Agency multifamily is also -- we're continuing to try to keep those volumes up.

CHAIRMAN WALLACE: Isn't that exactly what you were going to say?

MR. CARLSON: That is exactly what I was going to say -- not as well though.

MR. CARLSON: Thank you. Resolution 03-07 is available for your consideration.

CHAIRMAN WALLACE: You were filling in ably.

MS. PARKER: Sorry, Ken. I, -- it's just amazing because I remember that long ago when we would talk about putting -- asking me to give us authority for 400 million, everyone around the room would kind of go, yeah, like that's going to happen.

CHAIRMAN WALLACE: That's true. Well, you win third prize. Okay, any questions on this issue, this continuing resolution?

MR. KLEIN: I'd just like to say that obviously the chart shows the staff has done an excellent job in expanding the multifamily program over the years, and it's very appreciative on an individual basis to see that happen and the programs have been quite creative, including the projects proposed today and it's a very important contribution. I think, that CHFA is making the multifamily area on projects that are too complicated or too many moving elements for conventional lenders to handle like Noble Towers and the staff has done a great job in working with Ken and the financial tools of the Agency in making this happen.

CHAIRMAN WALLACE: Agree. Here, here. Julie.

MS. BORNSTEIN: I echo what Mr. Klein said, but I do have a point of -- a question here about the fining policy for the relapse into the old name of the organization if it relates only to verbal slips or if written slips would justify the 25-cent fine.

MR. SHINE: She just wants her 25 cents.

MS. BORNSTEIN: 50, I think is the way I read this.

MS. PARKER: It's a buck -- it's actually -- one, two, three, four, five -- we'll have to have a discussion about this.

MS. BORNSTEIN: You know, things are tight at the state level -- we're looking at every opportunity.

MR. CARLSON: I may have to collect from my staff.

MS. PARKER: All of us who looked at the chart probably need to kick in here.

MS. BORNSTEIN: Well, see, this shows a distinction, and you all are numbers people and I'm still a words person.

CHAIRMAN WALLACE: Word perfect.

MS. BORNSTEIN: I'm not quite there, but trying hard.

MS. PARKER: Now the other thing I wanted to add to this -- just so that nobody abuses it because I think we want to make sure that the Board knows that multifamily amount of lending that we are doing has increased -- this is only the volume cap. It doesn't include obviously what we are doing with 501(c)(3) debt.

MR. KLEIN: Right. And what was the amount last year from the 501(c)(3) debt? Approximately.

MS. PARKER: Where's Linn?

CHAIRMAN WALLACE: Two dollars.

MS. PARKER: No, no.

MR. CARLSON, et al.: No, no.

MR. WARREN: I'm going to say probably about 15, 20 million, I'm trying to think -- maybe quite not that much. Probably 10 to 15 million -- that might be a little bit on the high side, but I think that -

MR. CARLSON: I think that's right.

MR. WARREN: Yeah, it's important -- the 501(c)(3) debt was quite really -- the 236 portfolio and 202 portfolio are really going to drive that. So that in the future that's really going to increase.

MR. KLEIN: And in terms of the total project value that was generated, I think it was closer to 200 million if you include the tax credits and local government sources, all of the other assets that were pledged to these projects. So it's a very substantial contribution.

MR. WARREN: Right. If you look at the total development cost, it can almost be a factor of two to three over the debt load.

CHAIRMAN WALLACE: Having said that, are we ready for the motion?

MS. HAWKINS: I will move that this resolution be approved.

MS. SANDOVAL: Second.

CHAIRMAN WALLACE: Carrie moves it and Cathy seconds it, and Jeanne has a question on the motion.

MS. PETERSON: Well, I'd like to say that I think that this also reflects a close working relationship that's developed over the last 4 years between the Treasurer's Office and CalHFA. I would also like to put on the record that while I'll certainly be supporting the motion authorizing the application to CDLAC, that that support in no way relates to the Treasurer's ultimate decision when as Chair of CDLAC when the application reaches the CDLAC committee.

CHAIRMAN WALLACE: We withdraw the motion and reword it?

MS. PETERSON: No, not at all. This is my annual statement on this resolution.

CHAIRMAN WALLACE: True. Your periodic statement in a variety of times preserving the right of the Treasurer to react on his own behalf. Having said that, the motion is on the table; any question on the motion by the Board or the audience? Hearing and seeing none, the secretary call the roll, please.

MS. OJIMA: Thank you, Mr. Chairman.

MS. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-07 has been approved.

CHAIRMAN WALLACE: Resolution 03-07 is hereby approved. Item 8.

MR. CARLSON: Thank you, Mr. Chairman. Just as a one note here. I was also going to mention that next week, I think on Wednesday, the 15th, the Debt Limit Committee will meet and establish the new state ceiling which I think will be just in excess of 2.6 billion and they will probably then determine how the volume cap would be divided up by category, so expect that to happen next week. Is that about right, Jeanne?

MS. PETERSON: That's correct.

**RESOLUTION 03-08**

MR. CARLSON: The fourth item is Resolution 03-08, which the memo is on page 179, the Resolution on 181. I would like you to review this as a strictly technical matter. It relates to establishing a new and creative mechanism for funding down payment assistance. This relates directly to the Business Plan for the Insurance Fund and which, as you may recall, includes authority to enter into programs involving down payment assistance. We've made commitments back, even a couple of years ago for multi-year kinds of programs to fund down payment assistance in a couple of different Workforce housing programs. Unfortunately, the way in which this was -- we discovered that we needed one more type of approval in order to implement the way in which this was set up, which is to have us share the funding with different entities for related pools of down payment assistance loans. And the best efficient way to share the funding is by having, in this case, a 501(c) organization actually pool the loans and issue a bond that's backed by the loans and then different entities, including us, can then share in the funding. Now, we discovered that we needed more specific authorization in order to do this, and Resolution 03-08 would do that. Our investment rules for the housing finance fund required the Board to specifically approve or authorize us to invest in unrated bonds. This is a particular example where this resolution would authorize us then to buy unrated bonds that are backed by special-purpose loans, such as second mortgages for down payment assistance. We think it is a convenient mechanism for sharing funding and we would ask for your approval. Obviously the amount of this that we would do is limited by the Business Plan and what is set forth there for different types of down payment assistance programs to be funded by the Agency.

CHAIRMAN WALLACE: This is a newer one created by the need for down payment assistance programs.

MR. CARLSON: Right.

CHAIRMAN WALLACE: But in the same vernacular as the ones that we've been doing.

MR. CARLSON: Right, and we think we should view this as being from a risk point of view as these pass through; it's no different if we were purchasing down payment assistance loans directly versus a undivided interest in a pool of such loans.

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Is there some technical or planning reason these are called unrated bonds rather than just a mortgage pool? Is there an attempt to posture this so the long term after these are seasoned to securitize with credit enhancement, or why is it, it's not just a mortgage pool facility as versus unrated bonds?

MR. CARLSON: Well, I think it's the way that the pool is packaged so that it is securitized.

MR. KLEIN: It will be securitized?

MR. CARLSON: Well, securitization, this is in effect just a securitization of this pool of mortgages.

MR. KLEIN: Private.

MR. CARLSON: It's a private securitization of a pool of subordinate loans for down payment assistance.

MR. KLEIN: Okay, so there's no positioning to have a long-term plan to season this and then credit enhance it and get liquidity.

MR. CARLSON: No.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: Julie, would like to ask a question?

MS. BORNSTEIN: Yeah. As I read the resolution, it looks like it's, as you said, the same nature of a continuing resolution from this moment forward. But the write-up talks about two previous commitments -- would they also then be included in this resolution as now being authorized by the Board?

MR. CARLSON: Well, we have not purchased -- well, those commitments have not resulted in the purchase of any security. We have not done any of this yet. So these -- this was just our agreement a couple of years ago that once these programs are set up, that we wouldn't be able to do this and we just discovered that as a technical matter that we had to do it.

MS. BORNSTEIN: Okay.

CHAIRMAN WALLACE: Any other questions? Can I have a motion?

MS. HAWKINS: I move that Resolution 03-08 be approved.

CHAIRMAN WALLACE: Carrie moves.

MS. PETERSON: Support.

CHAIRMAN WALLACE: Jeanne supports. I'm going to classify that as a second. Any questions on the motion from the Board or the audience? Hearing none, seeing none, secretary call roll.

MS. OJIMA: Thank you, Mr. Chairman.

MS. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-08 has been approved.

CHAIRMAN WALLACE: Resolution 03-08 is hereby approved. Now, let's see what we've got. 09 is the Business Plan. I'm hearing that it could take an hour. We're a little behind for obvious reasons. Then we've got Tom -- his talk about something that we had discussions on with no action last meeting. And then I want Ken to finish up on his -- oh, Tom's got two items.

MS. PARKER: These are action items.

CHAIRMAN WALLACE: Yeah. And they do require -- why don't I take 10 and 11 now since they're action items on the theory that we're behind and we may lose our quorum. I don't want to lose these action items. Tom, can you do that?

**RESOLUTION 03-09**

MR. HUGHES: Yes, I can, Mr. Chairman. Item 10, Resolution 03-09, is the matter that we discussed before the Board last month. It relates to approval of essentially routine operational contracting by the Agency. As I indicated to the Board last month, the statutes by which the Agency operates require that the Board approve major contractual commitments. The Agency has defined that term by regulation to mean liabilities or obligations that exceed the amount of $500,000. The regulations also give the General Counsel, in the event that it's unclear whether an obligation exceeds that amount, the General Counsel is given the role of determining whether in fact the obligation does exceed $500,000; and the General Counsel also has a certain ability to interpret the policies and regulations. In practice, obviously if a contract exceeds the amount of $500,000 on the face of it, we know that and we know approval is needed. However, in practice there are a variety of types of contracts for which it is not clear whether the ultimate obligation will exceed $500,000 or not. The two most obvious examples of that are contracts by which we pay someone, typically a consultant, by the hour. We will typically encumber a certain amount of money; but in practice the contracts are frequently extended over a period of years or amended or extended and the amount is increased. Obviously, at a certain point the compensation which did not start out being over $500,000 may over a period of years ultimately exceed that amount. And at that point we have a question as to the authority of whether compliance with the statute and regulation was properly obtained. Another example would be contracts in which the amount of compensation would be based upon a certain volume of business where in the loan servicing or in the agreement as the Board previously approved with General Electric in the mortgage insurance area -- the amount isn't fixed; it's dependent upon a certain volume of business. So what we would like to do is in this resolution is to have the Board approve those types of routine operational contracting. And, when I prepared the resolution, it seemed that a convenient way to really lay out the issues before the Board was to structure it such that I broke out by operational department the types of agreements and contracts that we thought might ultimately require Board approval. Most of these are basically consulting contracts. There are a number of other things in here. Retention of attorneys in litigation is an obvious one; our leases for space are another. But for the most part, these are consulting contracts. I would add two things. One, that in many, perhaps most cases, these contracts probably won't exceed $500,000. But again because of the continuing nature of some of them, we want to be sure that we have the authority. The second thing I'd like to emphasize really is that this resolution as is pointed out at the very end is not intended to abrogate compliance with any other policy or law, etcetera regarding contracting. This simply would mean that the Executive Director would have the power to enter into these contracts without additional Board hearing and resolution. So that -- if the Board has any questions, I will be happy to ask of them approval of Resolution 03-09.

MR. KLEIN: Question.

MR. HUGHES: Bob. So this is just a formal continuation of our existing practices.

MR. HUGHES: Well, I think the best way to answer that is that the General Counsel has been given a certain amount of leeway to try and determine whether something should go to the Board or not. This General Counsel would prefer that those decisions be very clear -- that the line of authority be very clear. And the two basic alternatives would be that when there is some ambiguity, that we bring each and every one of these back to the Board, which our suspicion is that the Board doesn't really want to sit here and approve each and every routine operational contract. The other alternative is the one we've proposed here which would be that we have a blanket authorization for the types of routine contracts that we want.

MS. PARKER: Mr. Klein, I think when we talk about this, too, we were trying -- those of us who feel with the other traditional state ways that contract dollars are approved, that usually when a budget is done for a state department, it is submitted to the legislature, usually there's an under-consulting professional liabilities a list of what contracts might be. Some of that happens the same thing when we submit to you the Business Plan. In a Business Plan, there's usually line items and we often tell you that what's included in here is consulting fees and they may be for some specific work that we did this last year on looking at the Section 8 portfolio or to assist us with some kind of technology improvement. Some of those things we talk about them with you. But from Tom's standpoint - he wanted to have something that at the same time gave a framework to how the process would be utilized by us internally in relation to the Board.

CHAIRMAN WALLACE: Well, as we discussed at last time, the amount's out of date, Tom feels $500,000 was from the 1986 regulation –

MR. HUGHES: About that time period. That's true.

CHAIRMAN WALLACE: You could say it should be a million today, but he's feeling like this gives him better guidelines to his thought-making decisions, and we wouldn't -- you're right. We wouldn't want to see all the contracts that you let especially those that are -- you can't tell whether it's 500,000 or not. I think again at some point once we get into the flow of this, assuming we do, that you're going to want to look at the amount situation again. And then a year from now, maybe we massage this policy a little bit. And the third thing that I think we discussed a little bit in our discussion at the last Board meeting which preceded this was to maybe a year from now, you give us a little report and say how's this fitting? How many were over 500,000 -- should we change that number? A further analysis based on how this program is working, I think were some of things we talked about. Well, I'm comfortable with it. We just said, Tom, go back and give us some meat on the bone.

MR. HUGHES: We can certainly do that. And in addition, Mr. Chairman, as we had discussed, the Board is sensitive to contracts that we believe from our experience that the Board would be particularly interested in, example, was the G.E. contract we approved recently. So we would continue this just as a matter of our own policy to bring contracts to the Board that we thought were particularly warranted attention.

CHAIRMAN WALLACE: Any further questions? Cathy?

MS. SANDOVAL: Yeah, a couple of things. I just wanted to get a clarification. So, is CalHFA not subject to the contracting guidelines under the Governor's Order where Secretary is supposed to approve contracts over $250,000?

CHAIRMAN WALLACE: Tom.

MR. HUGHES: The last paragraph of the resolution basically says that whatever policies, laws, regulations apply we'll still be complying with if this resolution is only intended to go to the Board authority as each and every policy I have to go back -- I can't tell you off the top of my head -- I have to go back and look at it.

MS. PARKER: I think that generally our contract authority for the BT&H Agency and housing agency does not have a contract -- we don't have to have them approve our contracts. This doesn't impact that one way or the other.

MR. HUGHES: Correct. As a legal proposition, the Agency has the independent authority to enter into these agreements. How the Board and how the Executive Director implements this as a matter of policy is separate from what this resolution is.

MR. KLEIN: But, legislatively, in the way the Agency is looking at our operations, they're looking at operating us independently of those state policies, we have the responsibility to bondholders and others that require us to really perform certain functions and since our revenue base is outside of the State Treasury, we are self-supporting and have -- if we are going to maintain our bond rating -- a real responsibility we have to follow that's quite independent of separate practices within the State. But it's good to have as well defined and formal process so our internal contracting is possible.

CHAIRMAN WALLACE: That's not directly answering your question. But I think the answer as far as I've been here for 8 years, we have operated under this theory and not send contracts to your Agency under the limitations that you have for your other dozen or so --

MS. SANDOVAL: And, of course, as Director Bornstein knows that the world has changed dramatically last year, so we're all dealing with that, but I think that the thrust of it was just to make sure there has been due diligence, and the one comment I would have here is that is there any upper limit in the contract that says, as I read it, it says anything over 500,000 could be approved by the

Executive Director? So, do you want to require a 2 million dollar I.T. system approved by the Board?

MR. HUGHES: Well, keep in mind that the main thrust of this resolution is to provide a basis of authority in situations in which the number is indeterminate, and that is essentially a rolling number. And at some point we will ultimately reach 500,000 or some other number above that. So, the question is always, when do you hit, whether it's a ceiling or a floor. When do you hit that?

MS. PARKER: 500,000 is a requirement now for us to submit a contract to the Board.

MR. HUGHES: Correct.

MS. PARKER: So that is our ceiling.

MS. SANDOVAL: I just want to understand if I'm reading this correctly. So now you could approve contracts that are over 500,000, but that there's no limit, so if you wanted to sign a contract for a million dollars or two million dollars, you don't need to come back for more authority. I mean, I assume you would do what is within the constraints of the Business Plan approved by the Board but I want to know what the parameters are.

MR. HUGHES: Yeah. To the extent that the type of contract as described in this resolution, and there may well be contracts that are not, we have attempted to anticipate those, but to the extent that the contract is described in this resolution or in Ken's finance resolutions which also authorize certain contracts -- then, yes, the Agency would have the authority to enter into those. But I do think, as I mentioned previously, that the Agency's staff and Executive Director are certainly sensitive to particular contracts in which we suspect the Board would be interested. And that might be, we might bring back some matter of policy --

MS. PARKER: Once again, I think the G.E. contract was a good example, we certainly expect that one to exceed. Next year when, you know, we start this on an ongoing basis, we don't anticipate the Board wants to hear about, you know, the contract with G.E. that's basically, you know, what will bring them a contract that we have with Orrick every year or, you know, we sort of process entities that work with how we run our business which is somewhat unique in government.

MR. HUGHES: Yes, I think there is another thing just to make this perhaps a little more clear. The financing resolutions that the Board has just approved essentially authorize the Agency to enter into virtually any kind of contract that relates to a bond-funded program and contracts for loan servicing agreements, for example, or anything of that nature if these are paid based on volumes of business, all those things are routinely authorized by the Board in the financing resolutions annually. What this resolution would do would be to apply essentially the same approach to nonbond funded operations. So it is consistent with our prior practice on the bond side.

CHAIRMAN WALLACE: Cathy, from my standpoint, I don't remember us abiding by the Agency's resolution without having to submit everything over 250,000. It's another, when I ran another department like Julie's doing now, we always looked at CHFA as having some exceptions to those things -- CalHFA. We always looked at CalHFA. No, we looked at CHFA.

[Laughter]

CHAIRMAN WALLACE: In the -- there's some distinctions -- and those still exist. I think what this is doing is basically getting the legal counsel who had the right to interpret whether or not it was going to exceed 500,000. He wants a comfort level because he knows some of are and some of them will be close, and this gives some guidelines for him to use that are more specific than the generic ability that he had.

MS. PARKER: This to some extent, limits what authority we probably had. But this is more limiting that what we did not have you vote on.

MR. HUGHES: The current structure --

CHAIRMAN WALLACE: The current concern in fairness is that it applies to 13 other agencies. Why doesn't it apply to CHFA? And I'm not sure any of us can --

MS. SANDOVAL: I mean, but that's really a separate

--

CHAIRMAN WALLACE: -- so we don't do another DMV computer program.

MS. SANDOVAL: But, but, I mean, kind of related to that is the issue of then what is the limit? So, you know, if you truly can do anything over 500,000, I mean, if you could just explain to me what defines the limit? Is it the Business Plan; is it, you know, so that you don't give into issues that we've seen elsewhere?

CHAIRMAN WALLACE: Yeah. Julie.

MS. BORNSTEIN: Well, to address those concerns, the way I read this relates to two comments. One is that this is a delegation. We are not actually giving up authority as a Board. We are simply delegating authority in the resolution so that at any time during the year we have some concerns, we can place an agenda item back on the agenda for one of our meetings and reconsider the resolution should we have some concern. Because again, it is a delegation -- regulations. We do this every year so that every year we have this discussion and we have an opportunity to take a look at it. As I recall, this resolution is derived from earlier discussions to allow the smooth operation of the Agency and to give guidance to the General Counsel so that there is a sense of what type of contracts the Board is willing to delegate authority to. But at any time if there's a concern, we can bring this matter back up.

CHAIRMAN WALLACE: And to Cathy, I think the limitations are basically the Business Plan, but we approve when we approve the Business Plan. In this, your resolution kind of follows that by department within CHFA. That is kind of our organization chart in miniature. And so when we approve as we do as part of the Business Plan, their department-by-department programs, that serves as our limitation.

MS. PARKER: But it also provides you a notification about where we are expanding by categories. So at that point in time, if there was a concern, there is a way to track, and so it wouldn't be a situation -- how would you know as a Board member? You would know because the Business Plan has to have all that accounting to it.

CHAIRMAN WALLACE: Are you there?

MS. HAWKINS: I thought I was there.

CHAIRMAN WALLACE: No, no, I'm sorry. I meant Cathy. Is that enough said, Cathy?

MS. SANDOVAL: I just want to hear the discussion, and then I'll let you know.

CHAIRMAN WALLACE: No, I mean on the limitation question that you raised.

MS. SANDOVAL: I think that that may be adequate, but I need to know if there is any reporting mechanism, you know, like if there were some expenditure that were extraordinary and perhaps above what the Business Plan had set out. It would seem to me that that certainly should be reported.

CHAIRMAN WALLACE: Historically that's what happened.

MS. PARKER: Well, I might also say that's part of the reason of why we are doing a mid-year update. Because part of that is essentially letting you know that the Business Plan that was adopted where we are is relative to our production and our admin budget.

CHAIRMAN WALLACE: Okay, Carrie?

MS. HAWKINS: So, is there anything if you -- let me state it this way -- so if you know that a contract is specifically over 500,000 or will be over 500,000, are you saying you will then come back to us at the time the contract is signed, it's known to be over 500,000, will that be coming to us or if it falls into one of these categories, it will not, even though you know at the beginning?

MR. HUGHES: It will only come to the Board if it's not otherwise approved in this resolution or another resolution, or if we have it as a matter of policy and common sense brought it back from the Board. I can give you an example, though. There are at least several contracts in here that are obligations of more than 500,000 on their face and those are our lease agreements for our space, which we spend much more on. Another one, I believe, our annual -- and Margaret can correct me if I'm wrong, but I think our annual premium for earthquake insurance is 3 million dollars. But these are all normal operational expenditures that we pay.

CHAIRMAN WALLACE: And Tom had the authority to do that previously. I mean all that he is saying now is I want a little better handle on when he is forced to make an interpretation as whether to contract. Those are blatant ones. But there are some of these rolling ones that arguably could go either way. They don't start off as being more than 500,000, but they end up getting there. It's the nature of the contract.

MR. HUGHES: Just so it's particularly clear. The current system because most -- the fact of the matter is -- most operational contracts are executed in the course of running a business, and there are things that need to get done and not wait. Because of that, the current structure tends to force the person who makes the decision, in this case me, into a strained interpretation of these rules in order to get these things done. My strong preference is to disclose these matters to the Board; but since we don't know in the next year exactly what contracts we will enter into, the manner of disclosure is to lay out to the best of our ability at this time what it is that we anticipate doing.

Each one of these divisions here that are broken down in the resolution, each of the managers for those divisions sent to me their thoughts about what they would be needing over the next year. And so I view this more as a disclosure of what we are doing than probably was ever done in the past.

MS. SANDOVAL: Well, I know that the Director and the staff have always diligently executed the Business Plan and done a good job on updates -- so if that's the intent is to give flexibility in order execute within the parameters of the Business Plan, then I'm satisfied.

CHAIRMAN WALLACE: Okay. I think that is the intent. Any further questions? Bob.

MR. KLEIN: I thought I had understood this and I didn't. As to personal service contracts, outside of services provided directly in, for example, a bond financing, how many times do we have personal service contracts that would exceed a million or two million dollars?

MR. HUGHES: Well, again the problem is not that we typically enter into a consulting contract with a fixed amount, we will typically encumber certain amounts that probably will be well under 500,000. But the services in many cases continue over a period of years. And as a practical matter, those contracts are amended, and over a period of years, that running total may ultimately exceed 500,000. These are usually based on hourly fees that are charged to us by consultants. And so the question -- the problem is there is no dividing line. We are faced with a potential situation of once 500,000 is expended over a period of years, there is a question as to the authority for entering into that contract. And this would provide the initial basis for us to enter into that to resolve authority questions at the beginning of the relationship, rather than having called into question somewhere during the term of it. And, of course, the other example as I said are contracts in which the compensation that is payable to someone who is dependent upon the volume of business and we will have no way of knowing in some cases what the volume of business is until those services are rendered.

MR. KLEIN: Well, I'd like to ask the Director. How burdensome would it be if we had a 2 million dollar limit if a personal service contract was going to ever exceed 2 million, it would have to come back to the Board to get approval to go beyond that limit?

MS. PARKER: Well, let me give you an example and then maybe you can help decide whether that's something you would want to know. To the extent that we used a --, we're talking about doing in-mortgaging insurance and some of Linn's programs -- an entity to help us do some work, whether it be the 202 portfolio or whatever, and if over a period of time, those contracts because they are doing a significant number of, say, 202 projects, the amount that would be compensated which are based on production are clearly outlined and approved in the discussions with the Board. If it exceeded two million, do you want us to come back and talk with you about that? So, these amounts are likely to exceed that. May happen because the production that is tied onto their compensation would merit, you know, that amount of return. On the other hand, what we don't want to do is a situation where we enter into an agreement where someone is compensated based on the amount of production that they do and in the early days it got to be a very small contract, then we were very surprised later on to find out that it's, that you know, two million, three million. And that was happening on an annual basis, not only, you know, on a collective number of years. So I think that's what Tom is trying to do by writing this the way this is. What we plan to do is those contracts that we -- or business that we are doing -- and I don't say this so much from a legal standpoint -- but from a business standpoint, we are using our consultant contracts with compensations that are clearly defined to the Board at that period of time when we enter into those kinds of programs. And that we would expect, you know, that is all said to you that that is our method for approval. And what we're talking is we see these as standard kinds of things once we talked about that policy with you, that you wouldn't need then going forth whether it's, you know, that people are going to help us on some of the special lending that we are doing, whether it's two million or three million. You would see that going up before we would bring you lots of projects to the Board. You would know that those numbers would go up.

MR. KLEIN: Well, in a single year if there is more than 500,000 dollars, does it have to be approved by the Board under the way this is written?

MS. PARKER: No.

MR. HUGHES: No. Part of the problem is that our statute and regulation simply says expenditures or obligations over 500,000 dollars. It does not define if it is any single year or multiple years or anything else for that matter, and I believe that in the past some have taken the interpretation that if a contract extends over a period of years as long as it didn't expend any more than 500,000 in one year, it would not need approval. I'm not entirely comfortable with that. I would like it to be clear that we have authority because obviously if we spend more than 500,000 dollars over a period of time, and it would then need to come back to the Board because it exceeded some other threshold amount, the validity of the contract would be called into question.

MR. KLEIN: Well, if you have a contract that says that it can't exceed --

[INAUDIBLE]

MR. KLEIN: -- I just have a report that requested that these particular contracts be approved to go for another increment up to two million dollars.

MS. PARKER: Yeah, but I mean I guess the question is you know, in your third year of a contract, you know that it's going to hit, I mean I guess it kind of depends on what you all want to see.

MR. HUGHES: Well, let me give a practical example because, you know, the way we have attempted to deal with it is by essentially telling the Board that we will bring back contracts that we think you really and truly are going to be interested in and involves certain amount of discretion and judgment on our part. The Ziegler contract which is what I think you were referring to, Terri, on the 202 financing that we brought to the Board recently is an example of that. But in those kinds of agreements, we commit to a program with an outside party by which they're going to underwrite and process loans for us. If we reach a certain threshold and we have to stop that program in order to come back 2 months later to the Board for approval of that program because now I have doubts about the authority, we pretty much created havoc and --

MR. KLEIN: Well, why don't we just do a --

MS. PARKER: As a particular example, you know, you're going to, I mean I would presume that you would know when Linn is doing the presentation, you're going to know that Ziegler did this, that they're going to be compensated and the compensation is the set amount of money and in that sense it's going to exceed two million only because they bring "X" number of projects not because the percentage amount they they're going to get is going to be --

MR. HUGHES: Exactly.

MS. PARKER: Catastrophic. So --

MR. KLEIN: I don't have a problem with a contract like that just stating in the write-up that we're approving this program and this could exceed 2 million dollars, and in approving it, we're providing the authority to continue this program as long as it's effective. I mean that's not the issue here. The question is that outside of our large-scale financing programs, I'm questioning whether it would be reasonable to have just a personal service contract limit for the Agency.

CHAIRMAN WALLACE: I don't think we're there yet. And we may want to get there and that's why I've said at last meeting and again this time, let's look at this again a year from now because 500,000 is meaningless if it was passed in 1986 as a regulation. That's just one element of this. Counsel is feeling like he's on the spot with, of making some interpretations and this is his approach to getting us all kind of better feeling in this direction. My inclination is this his approach to getting him a little more in the way of guidelines to deal with this than we've had in the past. And let's try it and see it and review it a year from now and see how you feel then, whether we need to put some, change the dollar limit, which is an obvious thing. We talked about that when I discussed this with you all earlier. My inclination, therefore, is to go forward with it. It gives him a measure of direction that he doesn't have, that he's uncomfortable with now, and then let's take a fresh look at it -- at some point -- 6 months, 12 months; I'd say 12 months is probably adequate. That's where I am.

MS. PETERSON: Mr. Chairman, I certainly appreciate the interest of the General Counsel in getting some more direction from the Board, having been in an analogous situation in a past life. I have some concerns, some of which have been expressed by other Board members. As Ms. Sandoval pointed out at the beginning of this conversation, there really is no limit. There has been none under 500,000 and now there's none over 500,000 with respect to the way that the resolution itself is written. And, in fact, although I appreciate what you're saying about staff using its discretion to bring things to the Board that it thinks the Board will be interested in, and I think that has happened -- and that the 202 example that's been brought up is a good example of that. Certainly the Board was interested in that. To me, that is not a good example of the kinds of things that I would be concerned about because that was brought to the Board. We were certainly able to look at it and approve by the Board. So, I guess I'd just say that I do have concerns. I recognize your interest in having something from the Board that permits going forward, particularly the rolling contract issues. But I think, you know, certainly think that the Board would probably like to be advised. We don't know how many there are in a given year. I guess, it seemed like that question was asked in probably because of the rolling nature, some of them it's hard to put a handle on. I don't think that, at least I as one Board member don't want to be overly restrictive to staff, but I would think in some ways that the staff would want to, would want in effect to have the protection of the Board acting on some of these things. The contracts -- I mean, there are bigger issues, too, because with rolling contracts, how often are they reviewed, do they go out, you know, these, for example, multiple-year contracts. Just looking at the resolution, there's a language that says the Executive Director or somebody duly authorized by the Executive Director. Who else could the Executive Director duly authorize?

MS. PARKER: Let me make a suggestion. Again, I go back to my old finance days, you know, with the budget that's submitted by the Agency every year, it lists a list of contracts. We can certainly include that when we do the Board Business Plan review. And what I would suggest at this particular point in time, let us do that; it's going to come in two Board meetings. You get a sense from that we also obviously want to talk the limit. I'd rather have you look at what they are, and then be able to go forward with that information that what the contracts looks like and decide proactively what you want. Because I think at the moment, you're kind of guessing; you don't know. It's very easy for us to put what the list is. Again, we want, there's certainly no problem on our part with divesting the information on it. We are only trying to essentially provide the flexibility for the use of these to work in a way from a business operation standpoint. So, you would let us bring, when we do the Business Plan in May, we'll bring you an itemized list of the contracts that we've done, you know, last year, and we can mark out what are ongoing. And at least start from there to see what kinds of questions you have.

MR. HUGHES: You know, Terri, I think to put this in context, it's important that I mention some of the ramifications for the particular approaches that have been taken. In the pending litigation that we have with --

MR. KLEIN: Do we need to have an executive session on this?

MR. HUGHES: I'm not going to discuss anything other than is in filed pleadings. I'm not going to discuss anything that's an attorney-client privilege information. We can't do that right now anyway because we haven't noticed it; but the defendants in that litigation have taken the position that the contract that they entered into, and they've taken that position in pleadings and in depositions, or in pleadings rather, that because the amount was anticipated to be under 500,000 when the contract was purportedly entered into, then it was for all time valid. I have taken a strong position that it is not the case; that once you exceed the 500,000, the contract is no longer valid. There is no authority for that contract. This resolution is in large part an attempt to square our practices with what I think the correct legal interpretation of that dilemma is. And, again, the nature of the regulation in the past has tended to put pressure on people to interpret these regulations in a way that validates things that I suspect are not valid. And it is important that --

MS. PARKER: That's what Tom's - that's Tom's issue --

MR. HUGHES: It's important that I have some guidance to be able to do that.

MS. PARKER: That's what Tom wants. At the same time to the extent that the Board wants to have information on what we are, how we are spending contract money, we can produce that. You know, that is not a problem at all; and I think, you know, our response back for Ms. Sandoval our response to the Agency is although we don't go for contract approval, we supply information on an informational basis on what we are doing so that, you know, that there are no surprises.

MR. KLEIN: Well, I think the suggestion, Terri, is a very good one, and how would you guide us to deal with your suggestion in the context of this proposal we have in front of us?

MS. PARKER: Well, you know, I think again to achieve what Tom is trying to accomplish, and that is for him to have the structure, I would ask you to adopt the resolution. At the same time, I would like to come back to it at our May meeting. You know, we are also in the process of trying to look at our regulations in totality and see what makes sense, and we had already planned to be looking, as the Chair had said, at that 500,000 dollar model. Let us let staff know that our charge is to put together something that looks at that matter and giving information to the Board on consulting contracts, and from there, have a discussion and you all can tell us if this meets, if this process on an annual basis of giving you information as part of the Business Plan on what contracts we're doing, meets your comfort level or if having seen that -- you then want to go on the march and change it and have us do something different.

MR. KLEIN: So, in the interim, at least contracts that need to be entered into could be entered into validly with this being passed, and in the May meeting there would be consideration of the contracts and refinements to controls of reporting that could give everyone the comfort that we're looking for here.

MS. PARKER: Yeah, I mean what we would do at that point in time is you could give us some information if you wanted to, you've given this authority as Chair has said on an annual basis, you know, next year we're going to come back to it no matter what. But to the extent that when we have a discussion in May about the Business Plan, if there is a concern that you have relative to this and want to do something sooner to it, then we could talk about it and agendize that for our July meeting.

MR. KLEIN: Right.

CHAIRMAN WALLACE: Why don't we take your recommendation and assuming we pass this resolution and ask you to bring us as a part of the Business Plan that we adopt a recitation of contracts that may exceed 500,000 --

MS. PARKER: Well, then -

CHAIRMAN WALLACE: And then subsequently downstream then or a year from now, let's look at the entirety of this process and massage it appropriately.

[INAUDIBLE]

MS. HAWKINS: I wanted to, comment on, I felt uncomfortable with the concept of, we will bring to you contracts that we think you would be interested in. That doesn't sound good as far as [INAUDIBLE] to say, well, we will trust that you will bring --. Of course, we trust you know the quality of people you have, but we have to have a governance model that has nothing to do with individuals in control as far as the staff level. So that's what I think I feel comfortable with everything that has happened now. But I was uncomfortable with saying we will bring to you what we think you would want to know, and if that was, I don't if that was the exact wording, but I know your intent and I want to support you in this. And so I'm comfortable with the fact that the Business Plan is really the broadest, or the guideline, for what we could expect. And we can today say it cannot exceed the Business Plan and so we can feel comfortable that we do have quantifiable numbers and not anything that's just so ambiguous because there is a limit based on the plan. So I would move that based on that and the previous comments just prior to mine, that I would move that we support this resolution based on the discussion.

MS. SANDOVAL: I'd like to suggest a friendly amendment in that spirit, which is since we all agree that that is the defining limit, could we add some language to this that says like in the action part number one, like, say in line 25 or 26 in which the Director may during this year executes such new contracts and amends such existing contracts that are consistent with the Business Plan or resolutions approved by the Board in which the financial obligation may be expected to exceed 500,000 dollars. So, it's just that we articulate in the resolution, you know, obviously would never act ultra vires without authority outside of the plan, but that if we articulate in the resolution that these things must be consistent with the plan and any other resolutions adopted, I think that that might help with the comfort level.

CHAIRMAN WALLACE: That should work, Tom.

MS. HAWKINS: I would amend my --

CHAIRMAN WALLACE: Motion.

MS. HAWKINS: Motion.

MS. PARKER: Yeah, Tom, how does that, you know, the Business Plan didn't assume the G.E. contract? We would come to the Board specifically on that.

MR. HUGHES: I'm just trying to sit here to try and think through all of the ramifications. The Business Plan is --

CHAIRMAN WALLACE: Let's do this. We've gone for 17 years without this, based in the 1986 resolution. You've heard a lot of input here. You come back at the next meeting, having massaged the resolution and let's see if we can agree at the time that it does what we think we want it to do. We do not have to take this action today. Nice, but don't have to. Okay? You comfortable, okay with that? You'd rather do it today, but I'm on --

MR. HUGHES: It's the Board's decision, certainly.

CHAIRMAN WALLACE: Huh?

MR. HUGHES: Well, there's a variety of ways to handle this -- from the Board --

CHAIRMAN WALLACE: Well, we're starting to do it, and I appreciate it. I think Cathy is on the right track, and we're starting to do it as a committee and that's a horrible way to act.

[INAUDIBLE]

MR. KLEIN: Does he need any --

CHAIRMAN WALLACE: Just a minute. This is the -- it's important enough to give it, due in time. And, so I strongly recommend you go back, massage it based on what you've heard and come back to us at the next meeting.

MS. BORNSTEIN: [INAUDIBLE] Mr. Chairman, just one question to our legal counsel. I note that the language in this resolution is that this would be in effect until the first regularly scheduled meeting of the next year. The current resolution under which we are acting to delegate contract authority, does that stay in effect until we adopt another resolution, or does that expire because we have now held the first regularly scheduled meeting of the subsequent year? I just don't want to leave the staff without authority under the old system.

MR. HUGHES: There was no system in the past.

MS. PARKER: No, this is new. This is not --

MS. BORNSTEIN: No, but we do annually as I recall have a resolution delegate authority up to the 500,000.

MR. HUGHES: Only in bond-funded programs, let's -- Jackie, I think that's Jackie, reminded me, that, you see, one of the things I was trying to do as I sat here was to try and figure out all of the practical ramifications on this. We have a lease we intend to sign very soon before the -

CHAIRMAN WALLACE: That's what I was going to ask --

MR. HUGHES: Before the next meeting. We may have other similar things, I can't think of as I sit here -- I have a --

CHAIRMAN WALLACE: But you shouldn't do that under the existing regulation. You have been year in, year out.

MR. HUGHES: I have not.

CHAIRMAN WALLACE: Well, you --

MR. HUGHES: Others may have.

CHAIRMAN WALLACE: [INAUDIBLE] Others, [laughter] but you could act under prior existing regulations -

MR. HUGHES: I do not think I can.

MR. KLEIN: Mr. Chairman, can I make a suggestion to cure that problem?

CHAIRMAN WALLACE: Okay.

MR. HUGHES: We could simply pass an interim resolution that provides the authority to take such actions as consistent with the Business Plans or other resolutions of the Agency, in the necessary course of the Agency business to approve contracts over 500,000 dollars by the Executive Director so that we have the authority to carry out business that we need to on an interim basis but without the impediment of this ambiguity.

MS. PARKER: Does that, since the Business Plan didn't, I don't know that it planned on having rent at the level that we do -- I'm -- I think we're concerned about, I don't know that --

MR. HUGHES: There is a major issue here. I have stated forcefully --

MS. PARKER: [INAUDIBLE] I think we'd rather have nothing today than to do that.

MR. HUGHES: Yes. I have stated forcefully both in pleadings and to the staff that I am not going to approve contracts where I think that we will expend more than 500,000 dollars. I need to be consistent with that and that is my intention. So, to the extent that I have something cross my desk in the interim where I think that is going to happen, I am going to require that it go to the Board.

CHAIRMAN WALLACE: Yeah, Jackie --

MR. HUGHES: I have taken a strong position --

CHAIRMAN WALLACE: And Jackie's telling you -- and Jackie's telling you --that there are one or more pending, a few pending.

MR. HUGHES: There are matters pending.

MR. KLEIN: And we, the Board can't give you an interim authority to approve action necessary in the carrying out the business of the Agency between now and the next meeting?

MS. PARKER: Can I just give this another shot?

CHAIRMAN WALLACE: Sure.

MS. BORNSTEIN: I know that from what I'm gathering from the comments of my colleagues is that the concern is the first page of the resolution in paragraph one under the action items, that as I read it, is limited by the language on page 186 under paragraph two that says that the contracts and agreements authorized by the Board as provided above, meaning I assume paragraph one, are as follows, and they are listed.

MR. HUGHES: Right.

MS. BORNSTEIN: So that they are defined; this is not a free granting or delegation by this Board for all purposes of contracts without a financial limit. It is a delegation by this Board for those contracts that are defined by unit here in paragraph two. Would the Board feel comfortable passing this resolution as it's presented or even as, well I guess as presented today, with a perhaps agendized item for further discussion when we do the Business Plan in May?

MS. PARKER: Yeah, I think that's, that is what I have suggested --

[INAUDIBLE]

MS. BORNSTEIN: Would that satisfy? I'd be willing to vote for that. I can tell you my vote would be for that suggestion, but if my colleagues are interested in doing that as well, maybe that is the way to resolve this and allow the business of the Agency to go forward.

MR. SHINE: I concur. I think though on the one hand, you got to give Tom authority to do what he has to do and be comfortable. On the other hand, what I've heard in this whole discussion is that they want to have some kind of automatic nature by which it comes back to us and for us to really discuss it in more depth and come up with answers to the open-ended contracts that people think they may have or may not have, that they fit the kind of contracts where you pay a percentage on closings, I don't know what the costs are to get out of; but some of those could go on forever, and that issue needs to be probably addressed, I think. And if it meant that even that an open-ended contract that's based on a fee of a given percentage needs to come back every time you hit a certain level to be reaffirmed or re-ratified, that's okay. We can re-ratify things every two million dollars worth or whatever the number would be. I would support this as an interim authorization to get us out of here today and to get us back next time to discuss it in more depth.

MR. HUGHES: And, I think it is important to remember that the vast majority of contracts that are going to go over, most of the contracts that are probably going to exceed 500,000 are already approved en masse by financing resolutions, and that is exactly the way that we operate and they don't come back, no matter how much we spend on them.

MS. PARKER: We scour at trying to look at what we were doing, and that's the compilation of the list. Clearly, anything that's not on that, automatically come to you.

MS. PETERSON: Mr. Chairman, given the totality of the conversations and the concerns, I would certainly be willing to support the resolution as it stands.

MS. HAWKINS: I'll second it, too.

CHAIRMAN WALLACE: Okay, with the proviso that we will have further discussion on or before approval of the Business Plan?

MS. PETERSON: Absolutely.

MR. KLEIN: At the May meeting --

MR. HUGHES: I fully appreciate the nature of the conversation here we discussed at length various alternative ways to do this, and, but it is important we have a solid understanding of what our authorities are as we go forward in our normal operational matters.

CHAIRMAN WALLACE: I think we all accept that.

MR. SHINE: Are we talking about coming back at our next meeting to discuss this?

MS. PARKER: I'm suggesting that we do this at our May Board, and the reason why I'm doing that is that is the time that we'll be assessing our budget in totality.

CHAIRMAN WALLACE: Right.

MS. PARKER: And we will have the best numbers for everything.

MR. SHINE: Is it, however, a numbers issue or a conceptual issue of how we're, to the extent to which Tom has latitude to be comfortable in operating in what size of ball park?

CHAIRMAN WALLACE: It may be both. Still, it could be both.

MS. PARKER: Yeah, I -- I --

MR. SHINE: I'd like to see it done with soon as, quick as possible.

CHAIRMAN WALLACE: Well, we're given the interim authority, but by the time we get through the Business Plan, what form it takes as to numbers and number of contracts anticipated to exceed half a million dollars --

MS. PARKER: I certainly [INAUDIBLE]

CHAIRMAN WALLACE: Just a minute -- we'll have that by the May Business Plan.

MR. SHINE: Okay, Mr. Chairman.

CHAIRMAN WALLACE: I think that's the concept.

MR. KLEIN: And, it is my understanding that -- we'd get a copy --

CHAIRMAN WALLACE: Just a minute. Terri was next, or we're going to be out here tomorrow.

MS. PARKER: I, we could provide at the next Board meeting a list of these contracts, that then when we do the Business Plan, we will be updating those numbers. But next time, we could look -- soon as we can get it done, we'll mail it to you.

CHAIRMAN WALLACE: That's good. Bob.

MR. KLEIN: I think that's an excellent suggestion, and with that addition, I'd like to move the matter.

CHAIRMAN WALLACE: Second the motion.

MR. KLEIN: Second and call a question.

CHAIRMAN WALLACE: You can't do both; take your pick.

MR. KLEIN: I'll second the motion.

CHAIRMAN WALLACE: Okay; Peterson moved.

MS. HAWKINS: I already second that.

CHAIRMAN WALLACE: Okay. Now you can call the question. Call the question.

[INAUDIBLE]

CHAIRMAN WALLACE: Any further discussion? If you do, you're out of here. By the Board or the audience, hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

MS. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: If I vote no, where does that leave us?

MS. OJIMA: [INAUDIBLE]

CHAIRMAN WALLACE: I'll vote aye, then.

MS. OJIMA: Thank you, Mr. Chairman.

MS. OJIMA: Resolution 03-09 has been approved.

CHAIRMAN WALLACE: Resolution 03-09 is hereby approved with attachments.

MR. HUGHES: Mr. Chairman, I'd just like to say I really and truly do appreciate and really do understand the concerns of the Board members on this because it is unusual, and I'd just like to emphasize again that what I'm attempting to do here is really put much more in the way of disclosure and much more in the way of Board involvement in our contract process than I think we've had before -- and so really the spirit of this is to have the Board more involved without necessarily tying the Board down in every meeting for a whole long list of contracts.

CHAIRMAN WALLACE: We accept that explanation. Why didn't you say that in the first place? [laughter] I think you did.

MR. HUGHES: I have become completely convinced during this conversation that the problem lies in the regulation itself, and I think I have a high amount of confidence that we will be presenting something eventually that will change that situation.

CHAIRMAN WALLACE: Let's go to -- that takes care of Item 10. Let's go to Item 11 and hope -- beyond hope -- that it's not as complex.

**RESOLUTION 03-10**

MR. HUGHES: Thank you, Mr. Chairman. Interestingly, this next item is also, is the resolution that would authorize us to change some of our mortgage insurance resolutions, regulations, excuse me. As the Board knows from what we've discussed previously, we have reviewed the mortgage insurance operations very thoroughly. There are, as with many of our outdated regulations, many changes that need to be made. Most of the changes that we believe we will need in the mortgage insurance side requires statutory changes as well. The two regulations that are before the Board right now are matters that can be taken without the need for statutory change, so we thought we would take these up now and not tie them into any later statutory modifications that we may be pursuing. The two regulations as described in the staff report: one is, the first one would simply eliminate the distinction between Agency loans and non-Agency loans in terms of what types of loans our mortgage insurance operation can insure. As a practical matter, we do insure both Agency and non-Agency loans, and that would simply bring this regulation into conforming what the current business model is. And similarly the second regulation by statute, the Agency can set loan-to-value limitations on insured loans. And the second regulation would increase the current LTV to a loan-to-value limitation that reflects where the market is today on these certain mortgage insurance products. I would note that the current, as of January 1 of this year, private mortgage insurers were allowed to insure loans up to 103 percent of value. So this would actually give us a little bit more of a leeway in that regard to up 107 percent. And that 107 percent is the total of all loans on the property; not necessarily the Agency's.

MS. PETERSON: Aren't these just reflecting reality?

MR. HUGHES: Yes, exactly.

CHAIRMAN WALLACE: Wasn't that the case in the last motion? [laughter]

MS. PETERSON: Debatable. I would move the resolution.

MS. BORNSTEIN: Second.

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

MS. OJIMA: Thank you, Mr. Chairman.

MS. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-10 has been approved.

CHAIRMAN WALLACE: Resolution 03-10 is hereby approved.

**OTHER BOARD MATTERS/REPORTS**

CHAIRMAN WALLACE: Okay. Ken, in all due respect, I'm going to defer you again on your number 12. Much to your relief on Item 12. Sorry, but because we've got to get into the Business Plan, let me take a -- we're not going to have action. Who has to get out of here before 1:30?

MS. PETERSON: 1:30?

CHAIRMAN WALLACE: Planes, trains, buses, cars? At one o'clock?

MR. SHINE: I've got a one o'clock --

MS. PARKER: At one?

CHAIRMAN WALLACE: Okay. Well, it doesn't require action, but there is no way we we're going to do this. They informed me that it was a better part of an hour for the Business Plan. I'm going to -- this is kind of a heavy lifting of on when we get first introduction but a real cut at giving direction input so that they can massage it by the March meeting and then it's pretty pro forma by the time we get to the May meeting. So in that context, I'm going to ask staff to do the best you can.

MS. PARKER: We can go quickly, Mr. Chairmán. You know, really it's more from a standpoint of how much, how many questions, and how much discussion that you all want to have.

CHAIRMAN WALLACE: It's true and that's all the input that you're going to get.

MS. PARKER: Yeah, and Linn has a meeting, so, you know, that he needs to get to, so he is more than anxious to give you the --

CHAIRMAN WALLACE: I can't believe Linn has another meeting that he'd rather attend than this.

MS. PARKER: While Linn is sitting down, let me just do a little introduction, overview.

CHAIRMAN WALLACE: Yes.

MS. PARKER: Obviously, we're coming back as we do, with the mid-year update where we have been relative to the Business Plan that you all adopted in May. We now have 6 months of additional information. We now know, for example, that the voters passed the housing bond in the November election, and so our Business Plan we contemplated we may have production levels based on that. We will be discussing the implementation along those lines. There, we have made some staff changes as I mentioned by hiring some additional people like Ken Williams. We made some other staff changes to continue to tap the resources. But there's also been some other changes that have been happening -- just so you all are aware that your colleague, Tim Gage, will shortly be joined by Steve Peace to become the Director of Finance. Annette Porini who sat for Mr. Gage has left her position as being Chief Deputy Director to Department of Finance, and so that position will yet to be named as the person to be filled for Annette. So there, you will have a new colleague, and we will be doing that. As soon as we know who it is, we will be letting you know. So changes, obviously the Governor's been elected a second term, we're moving into second term substantial budget problem, Governor's focus on jobs and more jobs in his State of the State. And, you know, clearly we are going to be looking at how CalHFA can be an economic stimulus tool.

CHAIRMAN WALLACE: Okay. And so, kind of out of order, we're going to take Linn first; and then if I understand it, we'll talk about homeownership with Jerry, about insurance --

MS. PARKER: Jerry, Ken and Nancy.

CHAIRMAN WALLACE: And Margaret on asset management and then Jackie on administration. Does that sound correct? Linn -- charge.

MR. WARREN: In the interest of time, I have a question for the Chairman and for Terri. Would you like me to proceed just to the back with the program concepts or run through the numbers or is there something we want to abbreviate this a little bit? I'm certainly happy either way.

MS. PARKER: I would -- I think you ought to show your chart. I don't know that you need to go through your accomplishment and implementation for each of them -- the last chart's the most important.

MR. WARREN: Absolutely. We'll run through this -- the last chart in the handouts from MultiFamily is the one we'll try to spend the most time with. Real quick, this is just kind of an interesting chart. I don't think we've shown this to the Board before, but we talk about new loans and closed loans. This is just a chart that indicates loans in process going back to about 4 years; so, for example, 1999 we had 57 loans in process from pre-application to closed process three hundred million dollars. And currently we're at 89 loans at over half a billion dollars. So, this is the workload. This is what the folks work on everyday and with the passage of the bond, we certainly expect this to increase. Moving forward, as Terri indicated, we're going to go through -- these are the accomplishments that really relate to infrastructure, policies, hiring staff. The 7 new staff is really for calendar year 2002 as we build up our capacity. The lending opportunities -- the Board has seen all of these before, with the exception of assisted living, the HOPE VI, the Brownfield's, adaptive reuse projects and most recently UC housing. Real quickly, the under four million dollar delegation from last year we have five projects less

-- than we had hoped. We'll see what happens this coming year. We certainly expect that number to increase and there will be a more thorough report at the May Board. Prop 46, very quickly, this is a 45 million dollar at-risk acquisition fund for Section 8 assisted properties and others. We will do this in conjunction with HCD, and this acquisition fund will be assigned to acquire properties quickly and then rotate -- the model you saw this morning, and it was this morning, on Noble Towers is exactly what that model looks like, and we're going to replicate that on a forward basis. Alright, real quickly, business process for the year -- we have really five areas that we have found ourselves focusing on. The first is new construction, and it really relates to MHP. In the past, we've had a great amount of volume derived out of the MHP program, and we expect even more with the passage of the bond. In conjunction with that, the Agency intends to embark upon or revisit its role as a construction lender. The Agency got its start over 20 years ago as a construction lender and a permanent lender for the Section 8 projects. We think it's very appropriate that we pick that back up as a primary role in which we'll supply both construction and permanent financing on projects that have prevailing wages our money does trigger. So we think that's an important role that we can give; we can certainly provide less expensive funds. The income for the Agency has increased by doing that, and we think that we can help be competitive in this particular area. So for MHP projects only or for perhaps other related projects with prevailing wage, we will be pursuing a construction lending program. We've got the staff expertise to do this, and we are developing procedures, and we expect this to be available within about 60 to 90 days. In the area of preservation, we have really kind of an eclectic assemblage, if you will, of initiatives. We have a 202 program that we'll be pushing forward this year, the CalHFA 236 portfolio which we need to kind of pick up the lending activity on. It's been a little bit slow, and we will be revisiting that and directing resources for the 236 portfolio, our own Section 8 portfolio as you saw this morning, and the Prop 46 fund. These really four areas will really occupy all of our time in the area of preservation. We don't expect to do them all, but we need to be prepared to deal with these four areas. If we get another type of preservation project, we'll certainly address it. But we're going to try to limit our resources and our efforts to these four areas. In the area of mixed income, these will probably be more of boutique-type loans. The Board has seen the UC housing initiative that's moving forward. We'll probably see our very first one of these projects in the summer. We are in the process of writing programmatic guidelines and meeting with UC today to try to work these out and with sponsors. So, like I said, we'll probably see one or two of these a year on a fiscal year basis. Eighty-twenty infills -- there is a strong movement afoot as I'm sure the Board knows for redevelopment areas, for mixed income. With the softening of the economy, these types of projects have become more problematic, not so much in the L.A. area but more in the Bay area. But how we wish to approach these models is many of our borrowers, related for example who was here today, have a number of these projects and on a one-off basis, we will attempt to do 80/20's. We don't intend to make this a major programmatic initiative only because the resources that are required, but we do think that it's important that we offer this service to our better borrowers. Last area is assisted living. These projects, we have a couple in the pipeline right now that we're working on. They're no less difficult than they were before. These are very problematic, require a great deal of local resources, in the current budget situation we don't know how successful we're going to be. Again, these will be one-off transactions, but it is sufficiently important loan product for us -- developer expertise that we'll keep pursuing these things. But unless we can make them work, we're not going to make them a major issue.

MR. KLEIN: Mr. Chairman, time being sensitive, I would just like to make the comment on assisted living. I think that it would be important for the Board right now to consider at the Board level the process and the requirements in the assisted living area. I have a very healthy and sensitive respect for the complexity of this area, rather than wait till we get to a loan application because it is an important area but extremely sophisticated, and I think that the Board should get involved early in this process and what they're going to see when they get an approved application.

MR. WARREN: I think that's right, Mr. Klein. As you know, in the past we've had very large loans, we've come to the Board with initial commitments to say what do you all think. And I think we do the same thing with assisted living. Regardless of size, the complexity would warrant that. We'd be happy to do that. I think that's a good idea. The two new areas, and I'm going to go ahead and open them up right now and talk about them. These are initiatives. These are new, these are expansion roles for us. As the Board knows, we've had a very successful special needs lending program for a number of years. We feel it's important for us to expand our role into a broader area of supportive housing. We're going to devote new resources to this area. But not only are we going to do loans for special needs, but we are also going to take on the role of facilitator. And there are enough organizations and disparate groups in the supportive housing world that the Agency's role as a leader in this area to coordinate, facilitate many of these activities is something that we want to do. It's a departure from the traditional lending role, but quite frankly, we've learned over the years that we know as much about this as anybody else, and we're one of the few players in the arena that have the financial resources to make a difference. And we have the expertise, and we'd like to leverage that. So, it will be part lending and it will be part facilitating and coordinating with all -- as the Board knows, there's multitude of groups involved in this, and fortunately there's money in the bond that helps us particularly with supportive housing facilities that house these sort of things and we can help in this area. So we're going to have to take a little bit of a departure from traditional lending and use our expertise in order for us to expand our role in this. We think it's very appropriate that we do this. The final area which we think is exciting, is with the success of the HELP program, we have found that we've established excellent connections with localities. And the question for us was, can we expand that role to not only new programs, but also to do boutique programs? So as the Board has heard before, we are looking seriously at tax increment lending, we'll see how successful that is given the current budget climate. But we're going to look at that and see what transpires. But more importantly, as we sit down with localities, what we find is they have unique situations with unique financing requirements which might require short-term money, but unlike increment and HELP programs in which it gets recycled on a regular basis. And we may instead of having one or two monolithic programs, may go in on a spot basis and do individual programs, get our money in, and get repaid, get out, and do a new one. So, the idea behind this group is to come up with locality specific solutions and issues and see what we can do. I have moved quickly obviously with the

Board on that. So, I'm real pleased that Doug Smoot who's been running the HELP program has been promoted to run this unit in conjunction with Ralph Palmer, and the two of them will be spending a lot of time with localities to try to develop these programs. So, the bottom two boxes, if you will, are the new areas. The top three boxes are really a consolidation of everything we've done in the past. We have new staff, which is nice so that we can do this, and we really intend to go forward. But we want to try to build a box around these things and do all of these things well. So, I'm going to stop there and I'd be happy to answer any questions.

CHAIRMAN WALLACE: Questions, input, suggestions?

MS. PETERSON: I would just like to ask, and I apologize for being gone while it was being discussed, but under the mixed income box, if there's any intention of pursuing the Medicare waiver with respect to the assisted living opportunities which, as I think we all know, is very difficult to do without the Medicare waiver and has been pursued in many states successfully.

MR. WARREN: Yeah, three years ago, Ms. Peterson, I was part of the task force that was under the Aroner Bill to do that. I don't know where that's at right now, and it actually went kind of dormant. But we are involved in that; Ed Gipson who was here and Irene Jenkins have both had a lot of experience with assisted living and health care, and they're going to be involved in the task force -- but it has gone quiet quite frankly; I'm not sure quite sure why but we need to be there.

MS. PETERSON: It's a good thing to pursue.

MR. WARREN: Hopefully it will happen.

MS. HAWKINS: Mr. Chairman --

CHAIRMAN WALLACE: Yes --

MS. HAWKINS: I just want to encourage you with that tax increment area and doing the things that you suggested, I think that's a just real good way for us to leverage our resources and help put things together on a collaborative basis.

MR. WARREN: We think there is a lot of potential there. We don't know what they're going to look like, but we'll know it when we see it basically.

MS. PARKER: Mr. Chairman, I think what we had talked about when we do the Business Plan in May to some extent that we had substantial -- we wanted to take advantage to see the housing bond passed and to have that essentially gear us somewhat programmatically, and in that sense focus on the interim of things that would assist us in being essentially established to move forward by dealing with our infrastructure on technology, space, marketing. I think there's a -- those having the staff resources do it -- coming back to you with your mid-year update, Jackie will tell you where we are on this infrastructure internal things. But this is to really essentially clarify from a product and programs standpoint -- we're looking at today's market and we think these things will be the most beneficially used of multifamily staff resources.

CHAIRMAN WALLACE: I was out when you talked about new construction -- that you just described that as an old program but it's not in the modern era.

MR. WARREN: It is how the Agency got its start, basically doing Section 8 -- but I think that we can bring in added public benefit by being a construction lender and quite frankly, we can increase our income in that loan and use the money for other stuff. So I think it's time for us to do this.

CHAIRMAN WALLACE: Yeah, it's crazy.

MR. WARREN: Yeah. It's just timing.

CHAIRMAN WALLACE: Have you had focus groups here, have you talked to CBIA, or are you going to talk to CBIA?

MR. WARREN: We've talked with them, Mr. Chairman; we've talked with our borrowers, they're all supportive. I mean, and they're a competitive bunch, and they like to see us play.

CHAIRMAN WALLACE: Okay, sounds good. Anything else? Jerry Smart's up next, and you're released to inactive duty.

MS. PARKER: Okay, if I can ask Jerry and Ken -- maybe Nancy -- why don't you all come up. Jerry and Ken and Nancy, I think I -- except, Nancy, yours is pretty brief - but, Jerry, if you just go through, I show a couple of charts and then I don't think we should spend any time on the accomplishments. It's more important for us to talk about what's happening, particularly as a result of Prop 46.

MR. SMART: Thank you and good morning. I, just briefly, last year our homeownership goal was -- [END OF TAPE; CHANGED TO SIDE 2] -- to achieve that goal. Just briefly --

MS. PARKER: I think they can look through what the accomplishments are.

MR. SMART: I have switched the slides here just technically, the income, you can see -- we're doing pretty well, and demographically 70 percent of our loans are now going to minority home buyers. With respect to the CHAP, that's coming along successfully; we're right on target, half way through our current annual goal. With respect to the extra credit teacher program, it's a little bit slower, but we anticipate with the new changes that we implemented to expand that program, that that would be going to pick up. With respect to HICAP, that's moving along; although it's not a big program, we now have all six counties participating and we have 26 million dollars purchased and a pipeline of 35 million already in place. Our self-help builder assistance program -- that's a boutique program -- it's not a big operation. We're lucky if we get several applications a year and we anticipate -- get one now and anticipate a couple of more by the end of the year.

CHAIRMAN WALLACE: Five hundred thousand.

MR. SMART: Looking forward, we're excited about this. With the passage of Prop 46, we will have quite a bit of down payment assistance funds to put out on the street, and in keeping with the Governor's Build California initiative, this will fit right in. The CHDAP program -- that's the program that we had a year and a half ago and fortunately we will have 117 and a half million which we intend to present and make operational by the end of the month. This is a 3 percent down payment assistance much like our CHAP program. The schools facilities program is a kind of a grant-like structure repayment of school impact fees to home buyers, and we have 50 million on that program, and that also we anticipate to announce by the end of the month. The Extra Credit Teacher Program, a current program, but we have here that came to us with the Prop 46 is 25 million in down payment assistance funding. So we'll utilize these funds and replace the HPA funds that we had been utilizing at the present. We'll move those HPA funds over to our HICAP program. The nonprofit set-aside, there was a 12 and a half million funding of CHDAP set aside for totally funded nonprofit entities that would make loans to or, excuse me, that would have home buyers that go through a special home loan counseling provided by the nonprofits and where the home buyers are purchasing in revitalization areas. This is a special set-aside, and we see this also being implemented, probably in the middle of February or thereabouts. We're going to have some more stakeholder meetings with the neighborhood housing services groups and affiliates to work out some particular details. And, of course, looking forward to where else we'll be looking at lending opportunities, particularly in the way of new construction and in conjunction with mortgage insurance services that we might do, such as perhaps a taxable program and maybe in an non-conforming environment. Those are things that we have to look at. We want to see if there is a market there for us and what interest rate risks that we would see if we're in a taxable market. And that's pretty much our overview of where we are and what it is that we intend to put forward.

MR. KLEIN: Mr. Chairman --

CHAIRMAN WALLACE: Yes.

MR. KLEIN: Okay -- got a quick question. It's very important that we have the staff implement Section -- or Proposition 46 -- and do it quickly. I noticed there were two homeownership positions that were added, or will be added, by the end of the fiscal year. It says that the budget will not be augmented; costs can be absorbed with salary savings. How are we doing that?

MS. RILEY: We're running salary savings right this moment because we have some positions that we are [INAUDIBLE] about, and we are currently in the process of [INAUDIBLE] and for the first six months of the year we have been doing recruiting and all of that to get there.

MR. KLEIN: Okay, but hopefully, given that we really need to implement Proposition 46 -- if we need --

MS. RILEY: There are positions that we're interviewing and hiring.

MR. KLEIN: Okay. If we need a budget augmentation, we should be open to that if it's necessary to really get this --

MS. PARKER: -- we would have come to you on that.

MR. KLEIN: Okay. Great. Thank you.

MS. PETERSON: Mr. Chairman?

CHAIRMAN WALLACE: Yes, Jeanne.

MS. PETERSON: On behalf of the Treasurer, I would just like to thank the CalHFA for taking on these responsibilities of the Extra Credit Teacher Program. As we all know, the goal is 500 loans per year, hopefully by either or a combination of both changing the regulations and looking at if a necessity of trying to add further incentives, we will get to that goal. The Treasurer is also very pleased with the 25 million that was in the bond for this program and is also hoping that wherever possible that some of those funds will able to be ultimately be recycled for future use.

MR. SMART: Okay, and I might add, Ms. Peterson, that we are also developing a more full marketing plan for the Extra Credit Teacher Program, and we'll have a dedicated marketing person working in that area so that we can make sure that everybody gets the word on that.

MS. PETERSON: Right, and we're excited about that and thank you as well.

CHAIRMAN WALLACE: Any other questions or input? Okay, Nancy, is it you or -- yeah. Nancy. Yeah.

MS. ABREU: I'll go through the insurance section pretty quickly and if Terri will let me know if there's any areas that you want me to elaborate on. From a volume perspective, we're running at 310 million -- that's about 43 percent of our total goal of 715 million for the year. There's significant slack volume in two programs in particular. Lease purchase is one. We think we'll see some more action in that program, probably in the next 30 to 60 days because of a partnership involving the nine Bay area counties -- we'll be involved in that. Also some expansion of the existing lease purchase programs which is active more in Southern California, Riverside, San Bernardino and the Central Valley. It appears that First Republic Bank is going to be coming in as a funding partner on the program. It will help them since they will close the loans in their name, they will get some CRA credits. And we've also begun exploring with First Republic additional programs the Agency could potentially do as more of an investment on community lending loans, and it appears they are very eager to proceed with some more discussions. And I know many of you are familiar with the company based here in San Francisco. The other program that we're running -- some of the local or 42 percent of goal that's the Community Affordable -- and that's directly attributable, you will recall, either at the last meeting or the meeting prior, I reported that we had cut off -- for a lack of a better term -- or ceased some funding of loans we were receiving with Countrywide, and that was a direct result of having previously been set up in the whole rotation of loans. So we were getting anywhere from 12 to 20 loans a week from Countrywide that really didn't meet our affordable standards. There were no income limits, no first-time home buyer, and many of the loans had no income, no asset verifications and were a source of some of our first payment defaults. So with mutual agreement and discussions with Dottie Shepick and the staff of Countrywide, we stopped that program in the middle of September or first of October.

So that's why we've seen, you know, some decline in that number in particular. As far as accomplishments, I won't hit on all of them, but just as a quick update, we're in the final stages of finalizing our agreement with GEMICO, and we should have that in place within the next 30 to 45 days. We've also reviewed the final new master policy and endorsements, thanks to work that Morrison & Foerster did with us, and those have been mailed to the two GSE's this week for approval. We've gone through, as we've mentioned earlier today, all our programs and products and have streamlined them. We're also looking at our premiums to make sure that we're getting fair compensation for the risk and in situations where we think we may be getting too much compensation for potential risks to see if there is any tweaking of the premium we can do and potentially lowering the premium. So we -- there's are five of our mainstay products, if you will, right now; but we're looking at pricing with the first priority to come out with a monthly premium for Agency product. The industry about 2 or 3 years ago moved to mortgage insurance -- that's just paid on a monthly basis -- there's no up-front premium, many companies call it zero monthly no up-front premium and you just pay it on a monthly basis. The Agency program has continued to be -- it's an annual payment and you can prepay the first year up-front. So with cash-to-close being such -- very hard for many of our borrowers to accumulate -- we think going to the monthly would make a lot of sense for the Agency and hopefully help Ken and Jerry generate some additional product so we hopefully we're going to have a premium and get that change in the product for the Agency out sometime within the next couple of months. As far as staffing, Mr. Klein, you mentioned staffing -- we were able to promote Amanda Rose who was previously in our HELP program, and she is now the product manager for product development and outreach, having joined us on Monday. So we see some significant growth there. As far as Prop 46, our dollars allocated under the bond were much less defined as those in both multifamily and the homeownership sites, so we're in the process of soliciting input and looking for gaps of what we should do with the 85 million dollars that we will be receiving under the bond. We've already had meetings with CAR, KB Homes, KB Mortgage, and we have another phone conversation with KB Mortgage tomorrow where they even suggested they'd potentially join some kind of risk share and take a layer of the credit risk on their programs either on first mortgages or on insurance on seconds. We're continuing to work with GE Mortgage Insurance and Milliman USA, who is the consultant we brought into to help us look at the reinsurance to talk about product voids and opportunities and things they may see out there in the marketplace. We'll probably have a focus group sometime within the next 45 to 60 days to make sure the target or targets we find as potential new programs really meet what the constituency, the builders, the customers, the nonprofit lenders, think is needed out there and are continuing to work with the Federal Home Loan Bank. Again, this is more of a summary. We've talked about transitioning to our new insurance, our reinsurance partner works but expecting to see some wrap-up of our final work with Hanover within the next week or two -- and particular, Tom talked about the legislative and statutory changes, some of the regulatory changes you approved today. We'll continue to work on the Workforce housing initiative; we're, you know, in the middle of program redesign or program design, if you will, for something to do with the 85 million. And we will continually look at our infrastructure, though at this point, we feel very comfortable with the staff we have, have a couple of openings but are managing through it at this point.

MS. PARKER: I wanted Nancy to essentially review this overview for you as a way to keep you sort of abreast of the rising Phoenix out of the old insurance program to where we are going, so I think it's important for us to have you have a sense -- because it's not like the well-oiled machine of homeownership with few nuances of multifamily. This one is going through transition.

MS. PARKER: Any questions?

CHAIRMAN WALLACE: Input?

MS. PETERSON: I have a question.

CHAIRMAN WALLACE: Okay. Jeanne?

MS. HAWKINS: When you're transitioning from the annual premium to the monthly, how much do you think the monthly premium will go up versus how it would be on an annual basis?

MS. ABREU: We haven't gotten into exactly what it would be, and I think we would also allow Jerry's customers to have the option. If they want to do an annual premium, they could do an annual premium; if not, then go to the monthly.

MS. HAWKINS: I think that would be good.

MR. KLEIN: I'd just like to say that I think we're all aware that has taken an extraordinary amount of effort, and we're very appreciative of that effort.

CHAIRMAN WALLACE: Amen.

MS. PARKER: Well, I would point out, you know, we have been very, very fortunate -- fortunate in having Nancy -- but from a standpoint of the resources, the outside resources that we have been able to bring in and respond to this have been invaluable, and GEMICO is really looking forward to join and be our partner. And, so the consultants that we have used have really helped us along, and we're going to need them to be creative with this 85 million.

MS. ABREU: I think it's fair to say that our partners are very excited in working with us. Milliman USA is very excited, and GEMICO is considering taking kind of the process they're using with the Agency and the partnership and using that as a model they could potentially use with other HFA's. So they're very appreciative of what the Agency has done.

CHAIRMAN WALLACE: Good for us.

MS. PARKER: Asset Management -- I just want to make sure that you have a sense from Margaret's perspective -- since her portfolio is growing, and particularly what kind of business concepts she's looking at for next year.

[INAUDIBLE]

MS. ALVAREZ: I just wanted to have a chance to point out that once the loan closes, it may not be as glamorous, but the projects and the portfolio have stayed very fluid, very active and I think that you'll see that as I go through here. One of the things we have done this year is to try to improve our computer processing between ourselves and our Section 8 property owners with the HUD subsidies so we can purchase some new software that will help us communicate better and streamline our subsidies. We have 12 active loan modifications largely due to bond re-fundings. And on our Business Plan last year, we projected 6 to 12 of those. This is where when Ken has an opportunity to refund our bonds, usually up to a ten-year period, we're able to pass some of our savings onto our borrowers and offer them a lower rate in exchange for additional affordability by giving more units or by extending their term, or both -- whatever we negotiate with the borrowers. So it's been a very successful program. Our borrowers are very appreciative of having that opportunity, and it keeps us very busy in Asset Management - and Legal. We have currently two Section 8 mismatch projects being restructured through OMAR.

MS. PARKER: Okay -- I'm going to interrupt -- only from the standpoint of time, and I guess I'd like to see them focus on [INAUDIBLE] but [INAUDIBLE] concepts because they can read this part.

MS. ALVAREZ: Okay.

MR. KLEIN: Before we leave this page, could we just ask -- the two workouts -- what size projects those are and what's the --

MS. ALVAREZ: One's a small 18-unit project in Alta Dena, California, that's an elderly project that the Los Angeles County owns --

MR. KLEIN: Okay.

MS. ALVAREZ: Has high operating costs, had a high interest rate. We're just going through the process of trying to negotiate with the County on what we can do on that. We're kind of restricted in not allowing the prepayments which is really what they would like to do is buy down the mortgage. And so we have to come up with a clever alternative for that -- because we don't allow prepayments. And the second workout is in Victorville, and again it's owned by the Redevelopment Agency, has high operating costs -- that's really -- its biggest problem is its operating costs. And so we're working with them. They're also working with So-Cal Housing, Senator Seymour's group, we just learned, and trying to maybe do a TPA and transfer that asset to a different group and then get out from under it as owners themselves.

CHAIRMAN WALLACE: How many units, Margaret?

MS. ALVAREZ: It's a hundred, a little over a hundred units in Victorville.

CHAIRMAN WALLACE: Pretty good size. Are we at some level of risk presumably?

MS. ALVAREZ: I'm confident that we're going to be able to find a solution that works for all of us.

CHAIRMAN WALLACE: That's the right answer, by the way. [laughter]

MS. ALVAREZ: We're in the early stages on that one. So, it's anyone's guess. But we've done very well in our workouts and restructurings in the past. So I have no reason to believe that wouldn't continue to be the same. For the coming year, the remainder of this year in particular in going forward, we have quite a few mismatch properties -- if you will recall, that's where their loan with CalHFA exceeds the contract with HUD, and so we have that mismatch period to be concerned about. We have 19 of those that will have contracts expire this year, and then several more the next 2 years. Most of them will be going through HUD, through their, what they call their OMAR restructuring process. And we're pretty much at HUD's mercy, if you will; they'll decide what the refinance will look like in many cases, and we'll have to decide if we want to continue to be the lender on those. Those are, so far, working pretty well. We've got two that are in process, and we're just waiting to hear -- and those will be our test cases. We haven't had any go through that process yet, so this is a new ball game for all of us. So far we are learning HUD is very slow. So we'll figure it out and I'll have more to report hopefully in June. Our Section 8 co-terminus owners where we have 30- and 40-year loans out there, we kind of reached a mid-point -- I know Linn's talked about this many times in the portfolio where, you know, the owners are now older, they want to get out from under the deals or many of the others see the market interest rates are much lower, they would like to get better rates on their loans -- so our phone has been ringing off the hook with people wanting to redo their deals. And we take those on a case-by-case basis and see what we in fact can do for them. We also have a certain percentage of our portfolio that doesn't have adequate reserves, and is in tight markets, tough markets with maybe mom-and-pop owners and unsophisticated owners. There are a myriad of reasons, and they were looking at some recapitalization needs, and so we're trying to put together a program using our surplus money and FAF money, our Financing Adjustment Factor money, and some other things that we will be proposing to allow owners to stay in the program but to do some rehab on the buildings where they have insufficient reserves for replacement. About half of our portfolio has over 5,000 dollars per unit in their reserve for replacement, and about half has less -- and about 12 percent has less than a thousand dollars a unit. So some of the smaller properties in particular are the ones with the greatest need of rehab and assistance in their rehab. And then as many of you know, we've had a lot of interest in a couple of our REO's in particular. But really, we have people all over the place wanting to buy all six of our REO's. And it hasn't been something that's been high priority on our list, we've been operating them very well, they're all in good physical condition. A couple of them need a little bit of cosmetic work that we're working on. We have one in Livingston, California, which is the dead center of California that has some "T" one eleven siding problems -- that's pretty significant -- probably about a million dollars to fix it. We'll be looking at that over the next year and figure out our best course of action on Olive Tree. And then within Asset Management, we'll be performing some cold-sale analysis and just revisit our position about not selling those REO's at this time. It's always been the Agency's position that it's just as important to create new loans as it is to try to sell our REO's when they are operating as per the original regulatory agreements -- and in many cases, better. Kingsley, for instance, has 22 units that are off that are regulated to be set aside at 80 percent median income, but it has an additional 17 units that could meet the 650 or 60 percent area median income limits. So, in many cases we're doing better than regulatory requirements on our REO's. So we'd like to see that continue and they're, like I said, in fine physical condition and operating well.

MS. PARKER: I wanted to make sure that we brought this particular item up. We've received correspondence for quite some time, and we're aware that many of the Board members have received correspondence from Mr. Wright with respect to selling -- who submitted a proposal, a proposed deal to us -- and we've essentially written back and communicated back that, as Margaret has said, and if we were to do that, frankly, that we would need to have some kind of an open process so that any of those people who call Margaret on a continuous basis could also bid. So, I just wanted to make sure that those of you who'd gotten this letter understood what the staff were doing and what we believe is, you know, continuation of what our direction has been. We have not been pursuing resources to respond to, you know, Margaret gets half a dozen calls a week from people who want to buy -- you know, we've got 6 REO's out of almost 400 properties and they're all, you know, cash flowing, they're providing affordability. So we haven't really been focusing in on selling; and if we were, we believe we would have to do a competitive process. So we just want to make sure that when you're getting these letters, that you're aware that if there's something you feel we should be changing, that this is an opportunity in going forward in our Business Plan concepts.

MS. ALVAREZ: One of the reasons why those are all so very hot is there's not much out there for sale, and there's a lot of people wanting to sell their properties, trade up, and so forth. But the inventory of large multifamily buildings for sale is very limited, so everybody has their eyes on every REO list and every available list in the world. So that's prompted a lot of activity, as well. I didn't put it on here, but I just wanted to mention because came up at the last meeting -- earthquake insurance and its cost. It's gone up quite a bit over the last 3 years from 16 cents per $100 replacement value to 18 to 21 last year, which was a significant bump up for quite a few people. This year the policy was renewed at a good rate, so we're continuing our 21-cent-per-hundred. And pretty much the industry and our apartment owners are understanding of the fact that insurance costs are skyrocketed everywhere, and we're trying to do everything we can to help people on a case-by-case basis on those properties where cash flow is a little tight by allowing reserve for replacement money and other methods like that to get their insurance premium covered. So far, so good. Any questions?

CHAIRMAN WALLACE: Questions? Input? Thank you, Margaret. Jackie?

MS. RILEY: Just very quickly -- obviously, you noticed my concern about space and lease. We have been for about the last 6 months negotiating space in the new Meridian Plaza that's being constructed just two blocks from where we're currently located in the Senator Hotel in Sacramento. We've got that lease finalized and we're ready to go ahead with that, and the occupancy is anticipated to be mid-summer to late summer so there's a lot of work that's going into all the space planning for that and the infrastructure for that.

CHAIRMAN WALLACE: Jackie, where is that?

MS. RILEY: That is at 14th and L Street. It will accommodate our future growth and also overflow. Right now, the term that we're using is we're hunkering down between now and the end of the year and actually we've been doing that pretty much all along.

CHAIRMAN WALLACE: How many feet did we take?

MS. RILEY: We're taking 30,000 feet there.

CHAIRMAN WALLACE: What's that -- a couple of floors?

MS. RILEY: It's a floor and a half.

CHAIRMAN WALLACE: And, we don't know who's volunteered to move over there yet?

MS. RILEY: All of that has been identified. Space is being pretty much finalized the layout for that so that we can begin the procurement process of what we need to have everything come together by this mid-summer to end of summer when the building is completed.

CHAIRMAN WALLACE: Just real quick -- that's an expansion beyond that which we have in the Senator?

MS. RILEY: The Senator --

CHAIRMAN WALLACE: What do we have -- how many feet in the Senator?

MS. RILEY: We are at 50,000 square feet there.

CHAIRMAN WALLACE: And we've added another 30.

MS. RILEY: But, as you will see as I continue -- last year, and I'm digressing here for a moment, so I'm just talking off the cuff -- last year we ended up hiring a net of

30 people which for us being right around the 200 mark, was a significant gain. From the first of the fiscal year in July until the end of December we added another ten. We're actively recruiting and actually have job offers out at this moment for another 20 people. So, we have been on this huge push -- as you can hear with all the programs going on and all the need for resources and staff -- so people are, things are not working anymore in the Senator. I mean, things are very, you know, I don't want to say they're dysfunctional because we're all working, but they certainly aren't ideal by any means. If we could go condo, we would do the concept because people are very crowded, units are not together, the Senator is fully leased up so we had no choice. Our concern was to find something close by so, because we have a lot of units that work well together.

MS. PARKER: Jackie, let me interrupt and say one thing about this. I think it's important if we didn't say this last year in the Business Plan, let me just make sure that I say it at this point in time. When we decided, not decided, but knew we were really rapidly out of space, we looked at this move and doing this on an interim basis. And what we have talked about internally is that we want to have a long-term strategy because we want the Agency to be together in totality. But in order to do that, we need to do something on an interim basis because where we want to go to in a long-term basis probably because of -- just renewing our space in the Senator Hotel is probably a five-year commitment. And it will take us that long if we want to try to look at whether or not we want to be located downtown, outside the downtown area which might be a less expensive place -- all those options. So, the interim space that we've talked about in the Business Plan is a short-term, you know, we're saying that from a standpoint that we probably -- three to five years, but probably five years. But at the same time, we're going to be putting together a working group that's going to be looking at what the long-term plan is which would essentially have space availability to the Agency to be all in one place.

MS. RILEY: That is the goal, but in the meantime, we've got to function --

CHAIRMAN WALLACE: Makes sense.

MS. RILEY: In an adequate space where people have enough room to do their jobs. So, that lease will be co-terminus with the Senator Hotel, and as Terri mentioned, we will be in the interim of that period of time going for the long term and how, you know, we're going to get our staff together --

CHAIRMAN WALLACE: We have staggered leases in the Senator -- various floors that come up at different times?

MS. RILEY: No. They are all wrapped together.

CHAIRMAN WALLACE: All co-terminus?

MS. RILEY: Yes. Yep.

CHAIRMAN WALLACE: And we've got about five more years to go there -- seven?

MS. RILEY: Actually, we're at six and half right now.

CHAIRMAN WALLACE: I applaud your looking at the big picture, longer term, but you got to do what you've got to do to function.

MS. RILEY: In the meantime, the Proposition 46 impact, we have identified four positions that we need to fill, two of which we're actively pursuing right this second. The others are in the process of exams and all of that before the end of the year. As Mr. Klein had mentioned, we have enough resources in our current authorized budget that we did not ask for an augmentation. I already talked about the new employees. We continue, of course, with the hiring freeze for those employees --

CHAIRMAN WALLACE: One more time.

MS. RILEY: One more time.

CHAIRMAN WALLACE: Or we'll sick Dom on you.

MS. RILEY: [laughter] Okay. We continue to be mindful of where we can, hiring from within state government so that other employees who are displaced from other departments will have a home with us and a job with us.

Lastly, quickly, the I.T. group, Dom included a report in the back of the Board binder. I just wanted to touch on the document imaging and i-Management that we have the pilot going on with Legal. We have procured licenses for Asset Management, Fiscal Services; but our goal is to get everything pretty much up and running in image by the end of the calendar year. It's obvious we are document intensive with all the loan files that we have, so it's a big undertaking. The other thing that I.T. will be focusing on between now and the end of the year, of course, is figuring out the best method of delivery for services to the new Meridian to make sure that it's transparent, the delivery speed and all of that is transparent, from the Senator where most of our servers and everything will be housed to the new location. So, we've got lots on our plate.

MS. PARKER: Essentially, just to conclude, I mean that sort of goes through from programmatic through the operational side and to give you a sample of where we are relative to the Business Plan that was passed by you last May and what we are looking at for areas to essentially concentrate moving forward. It's a lot of information, you know, in a pretty short period of time -- but I want to say that that doesn't mean because you haven't brought something up today -- we will be coming back in March and talking again so that we have a substantial amount of information from you all before we essentially bring back in May what we believe would be a product that reflects your visions and your philosophies about where the Agency and staff should be going to the next year. So, in that sense, because you delegate so much authority to us, we want to make sure that you are very involved in the direction, and in that sense we are just carrying out what the vision is. So we believe we are on track. Those things that I mentioned in the beginning that we had on infrastructure space, staffing, I.T., marketing -- we've done the first 6 months of Ken's marketing plan -- he's stepped out -- we've got the next 6 months of the strategy that we are working our way through, we have had, I think, a significant increase in the awareness of the CalHFA. Julie and I have done a number of presentations and media things tied into the passage of the bond and the bond opportunity. So, I think we are, we hope we are on track where the Board essentially sees us going.

MS. BORNSTEIN: And actually, Mr. Chairman, if I might add -- we also co-hosted a conference in December which was, I believe, was a first for our two agencies that we are in the process of evaluating; and I think we'll be making a recommendation as part of the marketing and outreach plan, but it exceeded our expectations in terms of its success -- and attendance.

CHAIRMAN WALLACE: In Oakland?

MS. PETERSON: It was in Oakland. It was a day and a half and very positive feedback.

CHAIRMAN WALLACE: Who attended?

MS. PETERSON: There were about 300 attendees. The majority of them seemed to be from cities and localities, redevelopment staff. There was, I think, the next broadest group was probably developers both for profit and nonprofit, and then a variety of service providers or other housing advocates folks interested in housing, architects, other people involved in the industry. Mayor Brown came and greeted the folks who attended. We had nationally recognized speakers as our keynoters. At lunch, we had Senator Myron Orfield from Minnesota; so, quite a bit of writing on new urbanism and sustainable development. So, it was, I think very popular in the subjects that it approached, and so I think we're going to work at it and maybe an expanded version on an annual basis.

CHAIRMAN WALLACE: I saw the agenda and it looked good. Ken, Item 12, we're going to defer you. Ken, thanks very much. I'd asked Ken earlier in the week to give us a synopsis on the bond programs and swaps and things that we're involved in, and how they work. I tend to think that if you're like me, that's a kind of a never-never land in many ways, and we need if not seminars like he's arranged for us in the past, we need some periodic immersion in that arena.

So, I'm hoping that maybe we can pick that up, Ken, at the March meeting. Thanks for your indulgence. I'm hoping we can get everybody here, a higher percentage of quorum. It's been a little strained; I sense a little reticence on the Business Plan here because we're running kind of late and so on. But arguably, in March we'll be putting -- you'll have more meat on the bones for us, and we'll be more interactive.

MS. PARKER: I'm just very grateful for all of you to come because particularly I know that Carrie had a problem with her flight; and Cathy in particular -- I even said that because she was really having some problems, she didn't even need to make it, because I thought I had a quorum and this is such a good indication that things happen at the last minute -- so I am very grateful for all of you to attend because if you had not, we would not be able to conduct this meeting and in that sense, be able to meet our business obligations.

CHAIRMAN WALLACE: Well, thanks to everybody that did show and staff for your indulgence in having us force feed you on the Business Plan. We'll make it up in March, I hope. We have a lot of projects. I have a sense that Linn's gone.

MS. PARKER: Linn's gone. Well, you saw what his pipeline number -- it's over 500 million -- was like.

CHAIRMAN WALLACE: Yeah.

MS. PARKER: So, we've got a large pipeline; it's just a matter of when it starts materializing.

CHAIRMAN WALLACE: So, with that, anything for the good of the order in the way of other Board items that were not agendized that we need to bring up under 12 or any member of the public under item 13 that had something that wasn't agendized they need to bring up? Seeing, hearing none, we'll look forward to seeing you at our Sacramento meeting on March 20. And keep the ball rolling here -- you're all doing great. Thanks again. We are adjourned.

(The meeting was adjourned at 12:30 p.m.)

--o0o--

* * * * * * * * * * 

CERTIFICATION AND

DECLARATION OF TRANSCRIBER

I, Gail Christopherson-Schurr, 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 101, 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 9th day of January 2003, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 19th day of February 2003 at Sacramento County, California.

Gail C. Schurr

Gail Christopherson-Schurr, Transcriber

--oOo--

THIS PAGE
INTENTIONALLY
LEFT BLANK

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Branham Lane Family Apartments
## CalHFA Loan # 02-056N

**SUMMARY:**

This is a Final Commitment request for a loan to lender loan in the amount of \$25,210,000 for two years at 3%, and a first mortgage, tax-exempt loan in the amount of \$25,210,000 at 5.6%, amortized over forty years. The City of San Jose Housing Department is lending \$14,100,000 for acquisition and construction costs. Branham Lane Apartment Associates, LP is the owner of the Branham Lane Family Apartments, a 175 unit, new construction project located at the NE Corner of Branham Lane and Monterey Highway, San Jose, County of Santa Clara, California.

**LOAN TERMS:**

| | |
|---|---|
| **Loan to Lender:** | \$25,210,000 |
| Interest Rate: | 3.00%, simple interest |
| Term: | Two Years |
| Financing: | Tax-Exempt |
| **1st Mortgage Amount:** | \$25,210,000 |
| Interest Rate: | 5.6% |
| Term: | 40 year fixed, fully amortized |
| Financing: | Tax-Exempt |

**LOCALITY INVOLVEMENT:**

The \$14,100,000 loan from the City of San Jose Housing Department is for a permanent term of 40 years at 2.5%, and a 2 year construction loan at 4% interest. The permanent loan is paid from 70% of residual receipts. The City will record a 55 year regulatory agreement, which is subordinate to CalHFA .

**PROJECT DESCRIPTION:**

**A. Site Design**

The site is 5.05 acres zoned A(PD) Planned Development, which allows for multifamily housing development of 35 units per acre. At 175 units, the project falls within the allowable density.

The site had been used as an orchard until the early 1980s when agricultural operations ceased and three barns and three homes were demolished. The site has been owned by the City of San Jose since the early 1980s and has remained vacant and fenced.

Surrounding land uses include single-family detached residential to the north and east of the site, vacant land, single-family homes to the south, and a vacant parcel to the south which is under consideration for a public library.

**B. Project Description**

The project will consist of twelve fully sprinklered, wood frame buildings of two and three stories built above a single-level parking structure. The project will contain 175 family garden-style apartments, a community room, two playground areas (one 1,216 s.f. tot lot and a playground for children five years and over), a spa and a 20 x 40 foot pool located in a large landscaped courtyard. The community room will include offices, T.V. room, computer and exercise rooms, a full kitchen and a maintenance room. The site will be amply landscaped and several mature trees will remain on site, including a large valley oak that is over 300 years old.

Eight of the 12 buildings are podium-style construction built over a fully depressed parking garage, which allows for all of the buildings to be at grade and provides a lower profile to the buildings. There are a total of 346 parking spaces, with 253 parking spaces in the underground garage and 93 surface parking spaces. The number of parking spaces is 10% higher than the number of spaces required by the City.

All units will have carpet, blinds, balconies or patios with storage, and full kitchens with dishwashers, disposals, refrigerators, and electric stoves. The two and three bedroom units will also have stacked washer/dryer unit hook-ups. The developer will rent washer/dryers to tenants at an estimated cost of $40 to $50 per month. The current design also includes a laundry room with 10 washers and 10 dryers for tenants of one bedroom units, or for those who do not wish to either rent or buy a washer/dryer unit. We have requested a second laundry room to serve tenants on the other side of the project.

There will be on-site activities and a learning program available for the residents that will be coordinated by a third party provider. In addition, there will be an outreach program, which will include computer skills and after school programs.

<u>Unit Mix:</u>
38 - 1 bedroom, 1 bath units (711 square feet).
89 - 2 bedroom, 2 bath units (1,005 square feet).
48 - 3 bedroom, 2 bath units (1,161 square feet).

Access to the project will be via a two-way driveway on Branham Lane near the rear of the site and about 750 feet away from the Branham and Monterey Highway intersection. At this point Branham Lane is a two-lane roadway with a center two-way left-turn lane to facilitate left turn access to and from the site. There is also emergency access on Monterey Road.

The project has been designed to accommodate the possibility of a future high-speed rail line along Monterey Highway. A one-acre right-of-way area has been designated for the construction of a high-speed rail and may result in the intersection of Monterey Highway and Branham Lane being lower by 10 to 15 feet. There are presently no specific plans for the development of the rail line and if its development does occur, the line may be installed in 15 to 20 years. Until the rail line is developed, the right-of-way area will be fully landscaped.

The Monterey Highway and Branham Lane area is a major intersection. Because of the project's location, there will be eight foot masonry walls with a one-foot decorative trellis along Monterey Highway and the areas adjacent to single family homes. Buildings along Monterey Highway will be set back 60 feet from the property line and 95 to 120 feet from the property line along Branham Lane. In addition, all units will have air conditioning and mechanical ventilation providing adequate air exchange to allow for interior noise levels to be below code requirements with the windows closed.

**C. Relocation**

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

**D. Project Location**

The property is located in the southern portion of San Jose, approximately 5 miles from downtown San Jose and 7 miles from San Jose International Airport. The property fronts the Monterey Highway, which is a major north-south surface street extending to downtown San Jose. Highway 101 is 1 mile from the subject; Highways 85 and 87 are 1.5 and 2 miles respectively from the property.

The subject site's immediate area is composed of single-family residential homes and townhomes of average quality, all of which were generally built between 1970 and the 1990s. To the south and west of the site are two small vacant parcels; to the east and north are single-family homes, and to the southwest are well-maintained townhomes and condominiums for sale.

The site is within close proximity to a variety of retail services, schools, parks and public transit. Retail services are one-half mile to the west of the site. Oakridge Mall, a major retail hub, is 2.5 miles away; schools of all levels are between .3 to .75 miles of the site. Parks, walking trails and recreation areas are .10 miles away, and a bus stop serving three lines is in front of the project. The three bus lines provide access to most locations in San Jose and Gilroy. In addition, the light rail station is 1.4 miles away and provides access to all levels of shopping at Oakridge Mall and to major employment centers, including downtown San Jose.

## MARKET:

### A. Market Overview

The site is located in San Jose, which has a population of over 917,000 people according to 2002 census information. A market study performed in December 2002 by Newport Realty Advisors states that the Primary Market Area (PMA) for the subject project represents a five mile area surrounding the site, all within the city of San Jose. Up to 80% of the project's potential tenants currently reside in this PMA and it has a population of 452,361. The average household size in the PMA is 3.32 people and 29% of the population are renters.

The 2002 median household income in the PMA was $93,698, which is comparable to that of the City of San Jose, which was $93,503. The median age in San Jose is 34.2 years of age, and within the PMA 46.5% of the population is between the ages of 25 to 54.

Due to the high-tech and service sectors, Santa Clara County's employment from 1993 to 2000 grew by 233,000 jobs. After the high-tech industry's crash beginning in 2000, Santa Clara County lost over 62,000 jobs, resulting in an unemployment rate of 7.8% by November 2002.

### B. Market Demand

The market study reviewed fourteen projects in the PMA, consisting of five market rate, general occupancy projects totaling 1,116 units and four Low Income Housing Tax Credit projects totaling 660 units, all of which were developed between 1997 and 2000, and five older affordable projects. These were older properties built in the 1970's and 1980's, were found to be inferior in quality and location and were therefore not included in the analysis.

According to the market study, the five market rate projects have an occupancy rate of between 94 to 98%, and the affordable projects have 94.2% occupancy rates. The lower occupancy rate for affordable projects is misleading and represents units in turnover as all 41 vacant units have applications in process and there is a waiting list for these four projects of 950 people. The average turn-over rate is 27% for market rate and 17% for affordable family projects.

### C. Housing Supply

The five market rate projects were all within a one mile radius, and four were built from 1974 to 1985, and one was constructed in 1998. Units range from studios to three bedroom/two baths, and forty percent of the units are two to three bedroom units. Unit sizes range from 428 square feet for a studio to 1,397 square feet for the largest of the three bedroom units. Rents for market rate units range from $800 for a studio to $1,800 for a 3 bedroom unit. The market rate projects are considered inferior to the subject due to the superior location, amenity package and age of the subject property. Occupancy rates for the market rate units surveyed are strong, with average occupancy levels from 94 to 98%. Only one of the market rate projects out of the five surveyed offered modest move-in concessions on one and two bedroom units.

The four affordable family projects with a total of 660 units are located within a 2.5 mile radius. The affordable projects were built from 1997 to 2000 and offer units ranging from 1 bedroom, 1 bath to four bedroom, 2 bath units. Unit sizes are from 563 to 1,331 square feet and most of the units are offered to tenants with incomes at 50% to 60% of median. Rents for the affordable units within the 50% to 60% affordability range were from $651 for a 1 bedroom to $1,375 for a 3 bedroom unit. Occupancy rates for affordable units are 94.2%, however, applications to rent all 41 vacant units are in process. In addition, each project has a waiting list of over 200 people.

Within the PMA, there are three new market-rate apartment complexes under construction totaling 1,146 units, scheduled for opening mid-to-late 2003. The projects are located within a 1 to 2 mile radius, are of upper-end, market rate quality and are not considered competitive to the subject.

There are two new construction and two rehab affordable projects planned within a 4 mile radius of the site. The two new construction projects total 369 units located within 4.2 miles of the subject and will offer units at 50% and 60% of median. Both projects are scheduled to be completed in late 2004 and occupied shortly thereafter. According to the market study, both projects are in an inferior location and are located outside of the project's competitive market area and will therefore offer little competition to the subject. Additionally, waiting lists of over 950 people in the affordable projects surveyed above indicate strong market demand for affordable housing in San Jose as a whole.

**PROJECT FEASIBILITY:**

The project will offer a comparable level of unit features and common area amenities relative to market-rate projects. However, the project has an advantage over market rate projects because the design includes underground parking and elevators, while market-rate projects are walk-up design with carports. In addition, the project has unit sizes that are about 2% larger than the market-rate units cited in the survey and about 2% to 9% larger than the affordable projects surveyed.

In comparison to affordable apartment projects, the subject will have superior common amenities than most of the affordable projects in the PMA by offering a pool, fitness center and a computer room. The units will have superior unit amenities by offering air conditioning and washer/dryer hook-ups in the units. Only one of the four affordable projects has air conditioning and two of the four have washer/dryer hook-ups.

The market study indicates that the project's rents are from 10% to 30% below market-rate unit rents for similar floor plans.

**A. Rent Differentials (Market vs. Restricted)**

| Rent Level | Subject Project | Mkt. Rate Avg. | Difference | % of Market |
|---|---|---|---|---|
| **One Bedroom** | | $1,078 | | |
| 50%-CHFA | $864 | | $214 | 80% |
| 60%-TCAC | $970 | | $108 | 90% |
| | | | | |
| **Two Bedroom** | | $1,453 | | |
| 50%-CHFA | $1,026 | | $427 | 71% |
| 60%-TCAC | $1,242 | | $211 | 86% |
| | | | | |
| **Three Bedroom** | | $1,762 | | |
| 50%-CHFA | $1,183 | | $579 | 67% |
| 60%-TCAC | $1,432 | | $330 | 81% |

**B. Estimated Lease-Up Period**

According to the market study, stabilized occupancy is expected to be achieved within six months of completion at a rate of 25 units per month. However, the developer has budgeted for a more conservative lease-up period of 10 months after completion at a rate of 16 to 18 units per month, which is a market and absorption strategy also supported by the appraisal.

**OCCUPANCY RESTRICTIONS:**

CalHFA: 20% of the units (35) will be restricted to 50% or less of median income.

COSJHD: 30% (53) will be restricted to 50% or less of median income.
70% of the units (121) will be restricted to 60% or less of median income.

TCAC: 90% (174) of the units will be restricted to 60% or less of median income.

**ENVIRONMENTAL:**

The site had previously been used as an orchard and had agricultural buildings and three homes on it. The buildings were demolished in the early 1980s and the site has remained vacant since.

The property is owned by the City of San Jose, which used the property temporarily to store stockpiled fill dirt. The fill will be removed from the site entirely, and is not included in the scope of environmental assessments dated April 10, 2002 and a supplemental report dated November 1, 2002. In these reports, no hazardous materials were noted on site, and there were no records of spills impacting the site. In addition, ten soil samples were taken to assess the possible impact of the agricultural operations. No measurable or significant levels of pesticides or hazardous materials were detected as a result of the soil testing procedure.

The final commitment will require that the Phase I findings be acceptable to the Agency and that the soil stockpiled by the City of San Jose be removed.

**ARTICLE 34:**

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

**DEVELOPMENT TEAM:**

**A. Borrower's Profile**

Branham Lane Family Apartments L.P. is a limited partnership formed for the purpose of developing the subject property. The managing general partner will be a non-profit acceptable to the Agency. JSM Enterprises acts as developer for the subject project and is an affiliate of the administrative general partner, Montalvo Associates, LLC.

JSM Enterprises was formed in 1991 for the purpose of developing and investing in limited partnerships. Jim Morley is the President and Richard DeFabio is the Executive Vice President of JSM Enterprises. JSM Enterprises and Montalvo Associates together have developed twelve affordable projects totaling 1,553 units over the past 11 years. The projects are high-density family, senior, and single-occupancy apartment projects. CalHFA has financed two senior and one family project for a total of 258 units for JSM over the past five years. The projects are Plaza Del Sol, Veranda Family Apartments, and Arbor Terraces Senior Apartments.

**B. Contractor**

Branagh Construction has been in business since 1920, with projects ranging from educational facilities to churches, high density residential, commercial, hotels and offices. Branagh is based in Oakland and its projects are primarily in the Bay Area. Branagh has built 9 projects developed by JSM since 1991, for a total of over 700 units of high density residential construction. Currently, Branagh has 9 projects under construction totaling 838 units.

**C. Architect**

Ko Architects is based in Palo Alto and has been the architect on seven of the 9 projects developed by JSM and built by Branagh. Ko Architects specializes in multifamily high density family and senior projects located throughout the Bay Area.

**D. Management Agent**

California Real Estate Management (CREM) will be the property management firm for the project and is the property management company for all of JSM Enterprises multifamily projects. They are known to CalHFA and manage the three projects in the CalHFA portfolio that were developed by JSM Enterprises.

# Project Summary

116

Date: 6-Mar-03

## Project Profile:

| | | | |
|---|---|---|---|
| *Project :* | Branham Lane Family Apartments | | |
| *Location:* | Monterey Highway & Branham Lane | | |
| | San Jose CA 95111 | *Cap Rate:* | 6.75% |
| *County:* | Santa Clara | *Market:* | $29,200,000 |
| *Borrower:* | Branham Lane Family Apartments, L. | *Income:* | $28,200,000 |
| *Managing GP* | Affordable Housing Access | *Final Value:* | $28,200,000 |
| *Admin. GP* | Montalvo Associates, LLC | | |
| *LP:* | Branham Lane Family Apartments | ***LTC/LTV:*** | |
| *Program:* | Tax-Exempt | *Loan/Cost* | 50% |
| *CalHFA #:* | 02056N | *Loan/Value* | 89% |

## Project Description:

| | |
|---|---|
| *Units* | 175 |
| *Handicap Units* | 9 |
| *Bldge Type* | New Const. |
| *Buildings* | 12 |
| *Stories* | 2 & 3 |
| *Gross Sq Ft* | 185,933 |
| *Land Sq Ft* | 220,022 |
| *Units/Acre* | 35 |
| *Total Parking* | 346 |
| *Covered Parking* | 253 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $25,210,000 | $144,057 | 5.60% | 40 |
| CalHFA HAT | $0 | $0 | 0.00% | - |
| CalHFA Loan to Lender | $25,210,000 | $144,057 | 3.00% | 24 months |
| City Loan | $14,100,000 | $80,571 | 2.50% | 40 |
| Loan 6 | $0 | $0 | 0.00% | - |
| AHP | $0 | $0 | 0.00% | - |
| Grants | $0 | $0 | 0.00% | - |
| Contributions From Operations | $0 | $0 | 0.00% | - |
| Borrower Contribution | $0 | $0 | 0.00% | - |
| Deferred Developer Equity | $0 | $0 | 0.00% | - |
| Tax Credit Equity | $11,332,000 | $64,754 | 0.00% | - |
| CalHFA Bridge | $0 | $0 | 0.00% | - |
| 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 | 12 | 864 | 26 | 970 | 0 | 0 | 38 |
| 2 bedroom | 1 | 1,242 | 0 | 0 | 27 | 1,026 | 61 | 1,242 | 0 | 0 | 88 |
| 3 bedroom | | | 0 | 0 | 14 | 1,183 | 34 | 1,432 | 0 | 0 | 48 |
| 4 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| subtotal | 1 | | 0 | | 53 | | 121 | | 0 | | |
| | | | | | | | | | | | 175 |

* net rent

## Fees, Escrows, and Reserves:

| Fees | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Loan fees | 1.00% | of First Mortgage | $252,100 | Cash |
| Loan to Lender Fee | 0.50% | of Loan to Lender | $126,050 | Cash |
| **Escrows** | | | | |
| Bond Origination Guarantee | 1.00% | of T/E Loans; or L to L if applicable | $252,100 | Letter of Credit |
| Inspection fee | $1,500 | x months of construction | $27,000 | Cash |
| Construction Defect | 2.50% | of Hard Costs | $595,074 | Letter of Credit |
| **Reserves** | | | | |
| Rent-Up Reserves | 10.00% | of annual gross income | $400,000 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $250,748 | Letter of Credit |
| Initial Deposit to Replacement Reserve | 0.00% | of Gross Income | $0 | Cash |
| Annual Replacement Reserve Deposit - New Constructi | $300 | per unit | $52,500 | Operations |

# Project Summary

Date: 6-Mar-03

## Project Profile:

| | | | |
|---|---|---|---|
| *Project :* | Branham Lane Family Apartments | | |
| *Location:* | Monterey Highway & Branham Lane | | |
| | San Jose CA 95111 | *Cap Rate:* | 6.75% |
| *County:* | Santa Clara | *Market:* | $29,200,000 |
| *Borrower:* | Branham Lane Family Apartments, L.I | *Income:* | $28,200,000 |
| *Managing GP* | Affordable Housing Access | *Final Value:* | $28,200,000 |
| *Admin. GP* | Montalvo Associates, LLC | | |
| *LP:* | Branham Lane Family Apartments | ***LTC/LTV:*** | |
| *Program:* | Tax-Exempt | *Loan/Cost* | 50% |
| *CalHFA #:* | 02056N | *Loan/Value* | 89% |

## Project Description:

| | |
|---|---|
| *Units* | 175 |
| *Handicap Units* | 9 |
| *Bldge Type* | New Const. |
| *Buildings* | 12 |
| *Stories* | 2 & 3 |
| *Gross Sq Ft* | 185,933 |
| *Land Sq Ft* | 220,022 |
| *Units/Acre* | 35 |
| *Total Parking* | 346 |
| *Covered Parking* | 253 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $25,210,000 | $144,057 | 5.60% | 40 |
| CalHFA HAT | $0 | $0 | 0.00% | - |
| CalHFA Loan to Lender | $25,210,000 | $144,057 | 3.00% | 24 months |
| City Loan | $14,100,000 | $80,571 | 2.50% | 40 |
| Loan 6 | $0 | $0 | 0.00% | - |
| AHP | $0 | $0 | 0.00% | - |
| Grants | $0 | $0 | 0.00% | - |
| Contributions From Operations | $0 | $0 | 0.00% | - |
| Borrower Contribution | $0 | $0 | 0.00% | - |
| Deferred Developer Equity | $0 | $0 | 0.00% | - |
| Tax Credit Equity | $11,332,000 | $64,754 | 0.00% | - |
| CalHFA Bridge | $0 | $0 | 0.00% | - |
| 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 | 12 | 864 | 26 | 970 | 0 | 0 | 38 |
| 2 bedroom | 1 | 1,242 | 0 | 0 | 27 | 1,026 | 61 | 1,242 | 0 | 0 | 88 |
| 3 bedroom | | | 0 | 0 | 14 | 1,183 | 34 | 1,432 | 0 | 0 | 48 |
| 4 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **subtotal** | 1 | | 0 | | 53 | | 121 | | 0 | | |
| | | | | * net rent | | | | | | | 175 |

## Fees, Escrows, and Reserves:

| | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| **Fees** | | | | |
| Loan fees | 1.00% | of First Mortgage | $252,100 | Cash |
| Loan to Lender Fee | 0.50% | of Loan to Lender | $126,050 | Cash |
| **Escrows** | | | | |
| Bond Origination Guarantee | 1.00% | of T/E Loans; or L to L if applicable | $252,100 | Letter of Credit |
| Inspection fee | $1,500 | x months of construction | $27,000 | Cash |
| Construction Defect | 2.50% | of Hard Costs | $595,074 | Letter of Credit |
| **Reserves** | | | | |
| Rent-Up Reserves | 10.00% | of annual gross income | $400,000 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $250,748 | Letter of Credit |
| Initial Deposit to Replacement Reserve | 0.00% | of Gross Income | $0 | Cash |
| Annual Replacement Reserve Deposit - New Constructi | $300 | per unit | $52,500 | Operations |

# Sources and Uses Branham Lane Family Apartments

## SOURCES:

| *Name of Lender / Source* | **Amount** | **$ per unit** |
|---|---|---|
| CalHFA First Mortgage | 25,210,000 | 144,057 |
| CalHFA Bridge | 0 | 0 |
| CalHFA HAT | 0 | 0 |
| Other Loans | 0 | 0 |
| City Loan | 14,100,000 | 80,571 |
| Other Loans | 0 | 0 |
| **Total Institutional Financing** | **39,310,000** | **224,629** |
| | | |
| ***Equity Financing*** | | |
| Tax Credits | 11,332,000 | 64,754 |
| Deferred Developer Equity | 0 | 0 |
| **Total Equity Financing** | **11,332,000** | **64,754** |
| | | |
| **TOTAL SOURCES** | **50,642,000** | **289,383** |

## USES:

| | | |
|---|---|---|
| Acquisition | 8,805,741 | 50,319 |
| Rehabilitation | 0 | 0 |
| New Construction | 29,544,666 | 168,827 |
| Architectual Fees | 798,000 | 4,560 |
| Survey and Engineering | 400,000 | 2,286 |
| Const. Loan Interest & Fees | 5,100,308 | 29,145 |
| Permanent Financing | 430,650 | 2,461 |
| Legal Fees | 79,105 | 452 |
| Reserves | 414,979 | 2,371 |
| Contract Costs | 50,000 | 286 |
| Construction Contingency | 1,309,478 | 7,483 |
| Local Fees | 1,863,114 | 10,646 |
| TCAC/Other Costs | 645,959 | 3,691 |
| **PROJECT COSTS** | **49,442,000** | **282,526** |
| | | |
| Developer Overhead/Profit | 1,200,000 | 6,857 |
| Consultant/Processing Agent | 0 | 0 |
| | | |
| **TOTAL USES** | **50,642,000** | **289,383** |

# Annual Operating Budget Branham Lane Family Apartments

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 2,466,528 | 14,094 |
| Laundry | 16,800 | 96 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **2,483,328** | **14,190** |
| **Less:** | | |
| Vacancy Loss | 125,374 | 716 |
| **Total Net Revenue** | **2,357,954** | **13,474** |
| **EXPENSES:** | | |
| Payroll | 182,250 | 1,041 |
| Administrative | 152,054 | 869 |
| Utilities | 76,485 | 437 |
| Operating and Maintenance | 69,600 | 398 |
| Insurance and Business Taxes | 100,339 | 573 |
| Taxes and Assessments | 10,000 | 57 |
| Reserve for Replacement Deposits | 52,500 | 300 |
| **Subtotal Operating Expenses** | **643,228** | **3,676** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 1,580,944 | 9,034 |
| **Total Financial** | **1,580,944** | **9,034** |
| **Total Project Expenses** | **2,224,172** | **12,710** |

## Cash Flow

**Branham Lane Family 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 | 2,466,528 | 2,528,191 | 2,591,396 | 2,656,181 | 2,722,585 | 2,790,650 | 2,860,416 | 2,9 |
| **TOTAL RENTAL INCOME** | **2,466,528** | **2,528,191** | **2,591,396** | **2,656,181** | **2,722,585** | **2,790,650** | **2,860,416** | **2,9** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | |
| Laundry | 40,950 | 41,974 | 43,023 | 44,099 | 45,201 | 46,331 | 47,489 | |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **40,950** | **41,974** | **43,023** | **44,099** | **45,201** | **46,331** | **47,489** | |
| | | | | | | | | |
| **GROSS INCOME** | **2,507,478** | **2,570,165** | **2,634,419** | **2,700,280** | **2,767,787** | **2,836,981** | **2,907,906** | **2,9** |
| | | | | | | | | |
| *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 | 125,374 | 128,508 | 131,721 | 135,014 | 138,389 | 141,849 | 145,395 | 1 |
| **EFFECTIVE GROSS INCOME** | **2,382,104** | **2,441,657** | **2,502,698** | **2,565,266** | **2,629,397** | **2,695,132** | **2,762,510** | **2,8** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | |
| Expenses | 580,728 | 603,957 | 628,115 | 653,240 | 679,370 | 706,544 | 734,806 | 7 |
| Replacement Reserve | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 | 55,125 | 55,125 | |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | |
| Taxes and Assessments | 10,000 | 10,200 | 10,404 | 10,612 | 10,824 | 11,041 | 11,262 | |
| **TOTAL EXPENSES** | **643,228** | **666,657** | **691,019** | **716,352** | **742,694** | **772,710** | **801,193** | **8** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **1,738,876** | **1,775,000** | **1,811,679** | **1,848,913** | **1,886,703** | **1,922,422** | **1,961,318** | **2,0** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,5 |
| CalHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | | | |
| CalHFA - HAT Loan (amortizing) | 0 | 0 | 0 | 0 | 0 | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **157,932** | **194,055** | **230,735** | **267,969** | **305,759** | **341,478** | **380,373** | **4** |
| **DEBT COVERAGE RATIO** | **1.10** | **1.12** | **1.15** | **1.17** | **1.19** | **1.22** | **1.24** | |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Ye |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2* |
| Affordable Rents | 3,157,364 | 3,236,298 | 3,317,206 | 3,400,136 | 3,485,139 | 3,572,268 | 3,661,575 | 3,753 |
| **TOTAL RENTAL INCOME** | **3,157,364** | **3,236,298** | **3,317,206** | **3,400,136** | **3,485,139** | **3,572,268** | **3,661,575** | **3,753** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2* |
| Laundry | 52,419 | 53,730 | 55,073 | 56,450 | 57,861 | 59,308 | 60,791 | 62 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **52,419** | **53,730** | **55,073** | **56,450** | **57,861** | **59,308** | **60,791** | **62** |
| | | | | | | | | |
| **GROSS INCOME** | **3,209,784** | **3,290,028** | **3,372,279** | **3,456,586** | **3,543,001** | **3,631,576** | **3,722,365** | **3,815** |
| | | | | | | | | |
| *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%* | *5* |
| Less: Vacancy Loss | 160,489 | 164,501 | 168,614 | 172,829 | 177,150 | 181,579 | 186,118 | 190 |
| **EFFECTIVE GROSS INCOME** | **3,049,295** | **3,125,527** | **3,203,665** | **3,283,757** | **3,365,851** | **3,449,997** | **3,536,247** | **3,624** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4* |
| Expenses | 859,619 | 894,004 | 929,764 | 966,955 | 1,005,633 | 1,045,858 | 1,087,693 | 1,131 |
| Replacement Reserve | 57,881 | 57,881 | 57,881 | 57,881 | 57,881 | 60,775 | 60,775 | 60 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2* |
| Taxes and Assessments | 12,190 | 12,434 | 12,682 | 12,936 | 13,195 | 13,459 | 13,728 | 14 |
| **TOTAL EXPENSES** | **929,690** | **964,319** | **1,000,328** | **1,037,772** | **1,076,709** | **1,120,092** | **1,162,196** | **1,205** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **2,119,604** | **2,161,208** | **2,203,337** | **2,245,985** | **2,289,142** | **2,329,905** | **2,374,051** | **2,418** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580 |
| CalHFA - Bridge Loan | | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **538,660** | **580,264** | **622,393** | **665,040** | **708,198** | **748,960** | **793,107** | **837** |
| **DEBT COVERAGE RATIO** | **1.34** | **1.37** | **1.39** | **1.42** | **1.45** | **1.47** | **1.50** | |

## 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 | 4,041,693 | 4,142,736 | 4,246,304 | 4,352,462 | 4,461,273 | 4,572,805 | 4,687,125 |
| **TOTAL RENTAL INCOME** | **4,041,693** | **4,142,736** | **4,246,304** | **4,352,462** | **4,461,273** | **4,572,805** | **4,687,125** |
| | | | | | | | |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 67,101 | 68,779 | 70,498 | 72,261 | 74,067 | 75,919 | 77,817 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **67,101** | **68,779** | **70,498** | **72,261** | **74,067** | **75,919** | **77,817** |
| | | | | | | | |
| **GROSS INCOME** | **4,108,795** | **4,211,515** | **4,316,802** | **4,424,722** | **4,535,341** | **4,648,724** | **4,764,942** |
| | | | | | | | |
| *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 | 205,440 | 210,576 | 215,840 | 221,236 | 226,767 | 232,436 | 238,247 |
| **EFFECTIVE GROSS INCOME** | **3,903,355** | **4,000,939** | **4,100,962** | **4,203,486** | **4,308,574** | **4,416,288** | **4,526,695** |
| | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 1,272,447 | 1,323,344 | 1,376,278 | 1,431,329 | 1,488,583 | 1,548,126 | 1,610,051 |
| Replacement Reserve | 63,814 | 63,814 | 63,814 | 63,814 | 63,814 | 67,005 | 67,005 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 14,859 | 15,157 | 15,460 | 15,769 | 16,084 | 16,406 | 16,734 |
| **TOTAL EXPENSES** | **1,351,120** | **1,402,315** | **1,455,552** | **1,510,912** | **1,568,481** | **1,631,537** | **1,693,790** |
| | | | | | | | |
| **NET OPERATING INCOME** | **2,552,235** | **2,598,624** | **2,645,410** | **2,692,574** | **2,740,093** | **2,784,751** | **2,832,905** |
| | | | | | | | |
| **DEBT SERVICE** | | | | | | | |
| CalHFA - 1st Mortgage | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 |
| CalHFA - Bridge Loan | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | |
| | | | | | | | |
| **CASH FLOW after debt service** | **971,291** | **1,017,679** | **1,064,466** | **1,111,630** | **1,159,148** | **1,203,807** | **1,251,961** |
| **DEBT COVERAGE RATIO** | **1.61** | **1.64** | **1.67** | **1.70** | **1.73** | **1.76** | **1.79** |

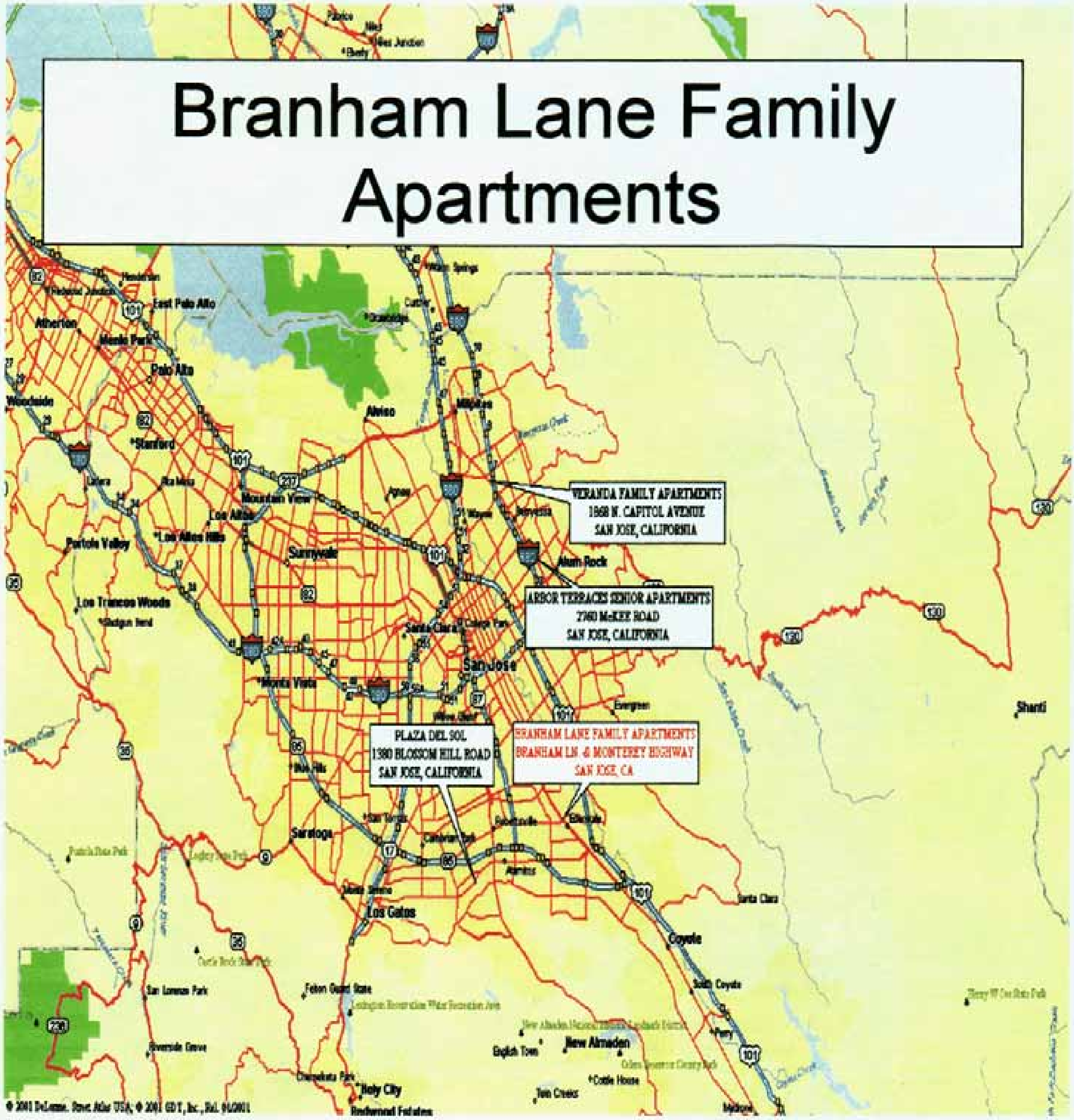
## Cash Flow

| RENTAL INCOME | Year 31 | Year 32 | Year 33 | Year 34 | Year 35 | Year 36 | Year 37 | Year |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2.50* |
| Affordable Rents | 5,173,709 | 5,303,052 | 5,435,628 | 5,571,519 | 5,710,807 | 5,853,577 | 5,999,916 | 6,149,91 |
| **TOTAL RENTAL INCOME** | **5,173,709** | **5,303,052** | **5,435,628** | **5,571,519** | **5,710,807** | **5,853,577** | **5,999,916** | **6,149,91** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50* |
| Laundry | 85,895 | 88,043 | 90,244 | 92,500 | 94,812 | 97,183 | 99,612 | 102,10 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **85,895** | **88,043** | **90,244** | **92,500** | **94,812** | **97,183** | **99,612** | **102,10** |
| | | | | | | | | |
| **GROSS INCOME** | **5,259,605** | **5,391,095** | **5,525,872** | **5,664,019** | **5,805,619** | **5,950,760** | **6,099,529** | **6,252,01** |
| | | | | | | | | |
| *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%* | *5.00* |
| Less: Vacancy Loss | 262,980 | 269,555 | 276,294 | 283,201 | 290,281 | 297,538 | 304,976 | 312,60 |
| **EFFECTIVE GROSS INCOME** | **4,996,624** | **5,121,540** | **5,249,578** | **5,380,818** | **5,515,338** | **5,653,222** | **5,794,552** | **5,939,41** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00* |
| Expenses | 1,883,532 | 1,958,873 | 2,037,228 | 2,118,717 | 2,203,466 | 2,291,604 | 2,383,269 | 2,478,59 |
| Replacement Reserve | 70,355 | 70,355 | 70,355 | 70,355 | 70,355 | 73,873 | 73,873 | 73,87 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00* |
| Taxes and Assessments | 18,114 | 18,476 | 18,845 | 19,222 | 19,607 | 19,999 | 20,399 | 20,80 |
| **TOTAL EXPENSES** | **1,972,000** | **2,047,704** | **2,126,428** | **2,208,294** | **2,293,428** | **2,385,476** | **2,477,540** | **2,573,27** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **3,024,624** | **3,073,836** | **3,123,150** | **3,172,524** | **3,221,911** | **3,267,746** | **3,317,012** | **3,366,13** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,944 | 1,580,94 |
| CalHFA - Bridge Loan | | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **1,443,680** | **1,492,892** | **1,542,206** | **1,591,579** | **1,640,967** | **1,686,802** | **1,736,068** | **1,785,19** |
| **DEBT COVERAGE RATIO** | **1.91** | **1.94** | **1.98** | **2.01** | **2.04** | **2.07** | **2.10** | **2.1** |

THIS PAGE
INTENTIONALLY
LEFT BLANK


Branham Lane Family Apartments
BRANHAM LANE FAMILY APARTMENTS
BRANHAM LN. & MONTEREY HWY.
SAN JOSE, CALIFORNIA
Vallejo
Tracy
Livermore
Hayward
San Mateo
Redwood City
Palo Alto
Modesto
Turlock
Merced
Los Gatos
Santa Cruz
Watsonville
Salinas
Seaside
Monterey
Hollister

THIS PAGE INTENTIONALLY LEFT BLANK


Branham Lane Family Apartments
VERANDA FAMILY APARTMENTS
1968 N. CAPITOL AVENUE
SAN JOSE, CALIFORNIA
ARBOR TERRACES SENIOR APARTMENTS
2360 McKEE ROAD
SAN JOSE, CALIFORNIA
PLAZA DEL SOL
1380 BLOSSOM HILL ROAD
SAN JOSE, CALIFORNIA
BRANHAM LANE FAMILY APARTMENTS
BRANHAM LN. & MONTEREY HIGHWAY
SAN JOSE, CA
East Palo Alto
Atherton
Menlo Park
Palo Alto
Woodside
Stanford
Alviso
Milpitas
Mountain View
Los Altos
Portola Valley
Los Altos Hills
Sunnyvale
Alum Rock
Los Trancos Woods
Santa Clara
San Jose
Monta Vista
Evergreen
Saratoga
Los Gatos
Coyote
New Almaden
Holy City
Shanti

THIS PAGE
INTENTIONALLY
LEFT BLANK


Branham Lane Family Apartments
BRANHAM LANE FAMILY APARTMENTS
BRANHAM LN. & MONTEREY HWY.
SAN JOSE, CALIFORNIA
GORDOLA
BOTEY
GIRAUDO
VIA PRIMAVERA
SHELLBARK
PARK DARTMOUTH
PARK ELLEN
CORTE VERDE
GENTIAN
ROEDER
DEER RUN
BRANHAM LN
CYCLAMEN
CAPPY
RUE CANNES
RUE PARIS
RUE BOULOGNE
KEHOE
EDENVALE
ROEDER RD
VERA LN

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-11

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Branham Lane Family Apartments, 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 175-unit multifamily housing development located in the City of San Jose to be known as Branham Lane Family Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 5, 2003 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on January 8, 2003, 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 CalHFA Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | | MORTGAGE AMOUNT |
|---|---|---|---|---|
| 02-056-N | Branham Lane Family Apartments San Jose/Santa Clara | 175 | First Mortgage:<br>Loan to Lender: | $25,210,000<br>$25,210,000 |

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

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

I hereby certify that this is a true and correct copy of Resolution 03-11 adopted at a duly constituted meeting of the Board of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ____________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

**Final Commitment**

**Glenbrook Apartments**

**CalHFA Ln. # 02-049-N**

## SUMMARY:

This is a Final Commitment request for a tax exempt, first mortgage loan in the amount of $3,355,000 and a bridge loan in the amount of $2,335,000. Glenbrook Apartments is a 52 unit, new construction family project. The project is located at 265 Sutton Way, Grass Valley in Nevada County. There is locality financing totaling $2,796,000. The borrower will be Oregon Investors VII, L.P., a limited partnership with Cascade Housing Association as general partner. This is Cascade Housing Association's second project with CalHFA in Grass Valley.

## LOAN TERMS:

| | |
|---|---|
| **First Mortgage Amount:** | $3,355,000 |
| Interest Rate: | 5.60% |
| Term: | 40 year fixed, fully amortized |
| Financing: | Tax-Exempt |
| **Bridge Loan:** | $2,335,000 |
| Interest Rate: | 4.00% |
| Term: | 1 Year, simple interest |
| Financing: | Tax-Exempt |

## LOCALITY/OTHER INVOLVEMENT:

The project has received a $2,796,000 residual receipt, HOME loan from City of Grass Valley for forty years at 3.00%.

## PROJECT DESCRIPTION:

### A. Site Design

The project site consists of two parcels zoned for multifamily use totaling 4.71 acres. Parcel One is 2.61 acres and is zoned R2A (8 units/acre); and Parcel Two is 2.10 acres and is zoned R-3 (20 units/acre) which is sufficient to construct the 52-unit family apartments. The zoning allows for a maximum density of 62.88 units on the project site.

There is currently a single family residence located toward the center of the site which will be demolished.

**B. Project Description**

The project will consist of 52 apartments in seven, 2 and 3-story residential buildings, and one community building with a laundry room. The buildings will be walk-up style flats of wood frame construction with composition shingle roofs.

The residential unit mix will consist of twenty-four, 2 bedroom/1 bath units (872 SF); and twenty-eight, 3 bedroom/2 bath units (1,083 SF). There will be 105 parking spaces (52 carports and 53 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 and be individually metered for utilities.

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, three BBQ areas, and a tot lot.

**C. Project Location**

The project is located at 265 Sutton Way, Grass Valley, approximately one mile northeast of historic downtown Grass Valley and three miles south of Nevada City. Grass Valley is located in the foothills of western Nevada County at the intersections of State Highway Routes 20, 49, and 174, twenty miles north of Auburn via Highway 49 and 60 miles northeast of Sacramento.

The project neighborhood consists of commercial, multifamily, and residential developments. The predominant land use is multifamily. Adjacent to the north of the project site is a PG&E substation, to the east and south is vacant land, and to the west are Oak Ridge Apartments (80 units LIHTC), and Cedar Park Apartments (81 units LIHTC, scheduled completion 2004) both of which are Cascade Housing Association projects. Cedar Park Apartments is a CalHFA financed project that was approved at the September 2002 CalHFA Board Meeting. Commercial and retail services are within a one-half mile radius north of the project near the intersection of Sutton Way and Brunswick Road.

**MARKET:**

**A. Market Overview**

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

The Grass Valley and Nevada City areas in western Nevada County account for 80 percent of the County's employment base. The increase in population has caused rapid employment growth in Nevada County, but that job growth still has not kept pace with job demand and in 2001 the problem was compounded when there were job layoffs by a number of Nevada County's high-tech companies. Employment data also indicates a disproportionate growth in the number of jobs in the retail and service sector, which provide some of the lowest paying jobs in the County. Local incomes are about 89 percent of statewide averages. The household median income for Nevada County is $48,800. As of October 2002 the unemployment rate was 4.0 percent, up from the 2001 average unemployment rate of 3.7 percent, but it is still below the statewide average. Despite the softening employment market, Nevada County has created 8,500 new jobs since 1983 and retail sales have increased about 10 percent annually.

**B. Market Demand**

Nine percent of Nevada County's total housing stock is multifamily units, as compared with Sacramento County which has 28 percent of its total housing stock in multifamily units, and Placer County which has 15 percent of its overall housing supply in multifamily units.

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

Multifamily apartment rentals range from $550 to $900 per month for one and two bedroom apartments and $765 to $1,125 for a three bedroom apartment. Single family home rentals range from $950 to $2,500 per month for two and three bedroom homes, with an average home renting for $1,100 per month.

Vacancy rates for Grass Valley have remained stable at 1.5 percent for the last seven years despite an increase of 366 units. In the last two years the population of Grass Valley and Nevada City has increased by 1,900. Based on an average of 2.5 persons per household there is additional pent up demand for 768 new housing units for the past two years. With renters accounting for 24 percent of the total housing market for Grass Valley and Nevada City, that equates to 184 multifamily units. As of December 31, 2002, Oak Ridge Apartments across the street to the west has 265 families on its waiting list.

**C. Housing Supply**

The population of Grass Valley and its Planning Area is projected to grow from 15,000 to 23,395 by the Year 2020. About one-quarter of the City's land remains undeveloped but some of this land is constrained by natural factors and development may never occur. Infill development on undeveloped land within the City of Grass Valley is an important facet of the Nevada County 2002 General Plan.

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

The assessment noted ninety-two percent of all home sales were affordable only to families at or above 120% of median income in Nevada County. Very low-income families of four cannot afford to buy any type of house in Nevada County without assistance.

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

**PROJECT FEASIBILITY:**

**Rent Differentials (Market vs. Restricted)**

| Rent Level | Subject Rent | Market Rate Avg. | Difference | % of Market |
|---|---|---|---|---|
| **Two Bedroom** | | $825 | | |
| 50% | $614 | | $211 | 74% |
| 60% | $711 | | $114 | 86% |
| | | | | |
| **Three Bedroom** | | $925 | | |
| 50% | $678 | | $247 | 73% |
| 60% | $801 | | $124 | 86% |

**B. Estimated Lease-Up Period**

The market study estimates unit lease-up at 15 to 20 units per month. The appraisal estimates absorption at 30 units per month.

**OCCUPANCY RESTRICTIONS:**

CalHFA: 20% of the units (10) will be restricted to 50% or less of median income.

TCAC: 20% of the units (10) will be restricted to 50% or less of median income.
80% of the units (41) will be restricted to 60% or less of median income.

HOME 21% of the units (11) will be restricted to 50% or less of median income.
18% of the units (9) will be restricted to 60% or less of median income.

**ENVIRONMENTAL:**

A Phase I Environmental Site Assessment was prepared on October 17, 2002, by Holdredge and Kull Consulting Engineers and Geologists. The assessment did not discover any evidence of hazardous materials or incidents occurring at the project site. The Phase I identified several leaking underground storage tanks (LUST) within a one-half mile radius that had impacted groundwater. The report concluded that the hazardous releases or incidents have not impacted the project site. The report recommended no need for additional investigation (or a Phase II Assessment).

An electric magnetic field report was prepared in September 2002, to study the probability of any biomedically significant consequences to the future tenants due to the existing high voltage electrical lines toward the front of the project site along Sutton Way and the adjacent substation. The report prepared by Robert A. Stratbucker, MD, PhD, PE of Stratbucker and Associates, concludes, "the 60 Hertz magnetic field density levels likely to be encountered in any of the dwellings in the project as a consequence of the presence of the proximate PG&E transmission lines and associated substation will not create a significant health hazard, short or long term, to the tenants or other residents of this apartment complex."

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

**ARTICLE 34:**

An opinion letter has been received from the City of Grass Valley dated October 18, 2002. The letter states Article 34 is not applicable to the project. The opinion letter is subject to CalHFA's review and approval.

**DEVELOPMENT TEAM:**

**A. Borrower's Profile**

The borrower is Oregon Investors VII, 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 3,000 units including LIHTC and Rural Development projects located throughout Oregon, Washington, Idaho, and California.

# Project Summary

Date: 5-Mar-03

## Project Profile:

| | | | |
|---|---|---|---|
| *Project:* | Glenbrook Apartments | | |
| *Location:* | 265 Sutton Way | | |
| | Grass Valley, CA 95945 | *Cap Rate:* | 8.25% |
| *County:* | Nevada | *Market:* | $3,900,000 |
| *Borrower:* | Oregon Investors VII LP | *Income:* | $3,950,000 |
| *GP:* | Cascade Housing Associatio | *Final Value:* | $3,950,000 |
| *GP:* | | | |
| *LP:* | AEGON | ***LTC/LTV:*** | |
| *Program:* | Tax-Exempt | *Loan/Cost* | 31.7% |
| *CalHFA #:* | 02-049-N | *Loan/Value* | 84.9% |

## Project Description:

| | |
|---|---|
| *Units* | 52 |
| *Handicap Units* | 1 |
| *Bldge Type* | New Const. |
| *Buildings* | 7 |
| *Stories* | 2 & 3 |
| *Gross Sq Ft* | 53,710 |
| *Land Sq Ft* | 204,732 |
| *Units/Acre* | 11 |
| *Total Parking* | 105 |
| *Covered Parking* | 52 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $3,355,000 | $64,519 | 5.60% | 40 |
| CalHFA HAT | $0 | $0 | 0.00% | - |
| CalHFA Loan to Lender | $0 | $0 | 0.00% | - |
| City of Grass Valley, HOME | $2,796,000 | $53,769 | 3.00% | 40 |
| 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 | $597,093 | $11,483 | | - |
| Tax Credit Equity | $3,851,000 | $74,058 | | |
| CalHFA Bridge | $2,335,000 | $44,904 | 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 | 711 | 0 | 0 | 5 | 614 | 18 | 711 | 0 | 0 | 24 |
| 3 bedroom | | | 0 | 0 | 6 | 678 | 22 | 801 | 0 | 0 | 28 |
| 4 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **subtotal** | 1 | | 0 | | 11 | | 40 | | 0 | | |
| | | | | | | | | | | | 52 |

* net rent

## Fees, Escrows, and Reserves:

| Fees | Basis of Requirements | Amount | Security |
|---|---|---|---|
| Loan fees | 1.50% of Permanent Loan | $50,325 | Cash |
| | 1.00% of Bridge Loan | $23,350 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of T/E Loans | $56,900 | Letter of Credit |
| Inspection fee | $1,500 x months of construction | $18,000 | Cash |
| Construction Defect | 2.50% of Hard Costs | $117,642 | Letter of Credit |
| **Reserves** | | | |
| Operating Expense Reserve | 10.00% of Gross Income | $46,422 | Cash |
| Initial Deposit to Replacement Reserve | 0.00% of Gross Income | $0 | Cash |
| Annual Replacement Reserve Deposit | $325 per unit | $16,900 | Operations |

# Sources and Uses
## Glenbrook Apartments

### SOURCES:

| *Name of Lender / Source* | Amount | $ Per Unit | % of Total |
|---|---|---|---|
| CalHFA First Mortgage | 3,355,000 | 64,519 | 31.7% |
| CalHFA Bridge | 0 | 0 | 0.0% |
| CalHFA HAT | 0 | 0 | 0.0% |
| CalHFA Loan to Lender | 0 | 0 | 0.0% |
| City of Grass Valley, HOME | 2,796,000 | 53,769 | 26.4% |
| Other Loans | 0 | 0 | 0.0% |
| **Total Institutional Financing** | **6,151,000** | **118,288** | **58.0%** |
| | | | |
| ***Equity Financing*** | | | |
| Tax Credits | 3,851,000 | 74,058 | 36.3% |
| G.P. Equity Contribution | 0 | 0 | 0.0% |
| Deferred Developer Equity | 597,093 | 11,483 | 5.6% |
| **Total Equity Financing** | **4,448,093** | **85,540** | **42.0%** |
| | | | |
| **TOTAL SOURCES** | **10,599,093** | **203,829** | **100.0%** |

### USES:

| | | | |
|---|---|---|---|
| Acquisition | 655,000 | 12,596 | 6.2% |
| Rehabilitation | 0 | 0 | 0.0% |
| New Construction | 6,249,700 | 120,187 | 59.0% |
| Architectual Fees | 200,000 | 3,846 | 1.9% |
| Survey and Engineering | 290,000 | 5,577 | 2.7% |
| Const. Loan Interest & Fees | 401,144 | 7,714 | 3.8% |
| Permanent Financing | 172,575 | 3,319 | 1.6% |
| Legal Fees | 70,000 | 1,346 | 0.7% |
| Reserves | 48,126 | 926 | 0.5% |
| Contract Costs | 7,500 | 144 | 0.1% |
| Construction Contingency | 433,305 | 8,333 | 4.1% |
| Local Permit Fees | 117,000 | 2,250 | 1.1% |
| TCAC Fees/Costs | 27,000 | 519 | 0.3% |
| Impact Fees/Other Costs | 727,743 | 13,995 | 6.9% |
| **PROJECT COSTS** | **9,399,093** | **180,752** | **88.7%** |
| | | | |
| Developer Overhead/Profit | 1,200,000 | 23,077 | 11.3% |
| Consultant/Processing Agent | 0 | 0 | 0.0% |
| | | | |
| **TOTAL USES** | **10,599,093** | **203,829** | **100.0%** |

# Annual Operating Budget

Glenbrook Apartments

| | | $ Per Unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 459,228 | 8,831 |
| Laundry | 4,992 | 96 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **464,220** | **8,927** |
| **Less:** | | |
| Vacancy Loss | 23,211 | 446 |
| **Total Net Revenue** | **441,009** | **8,481** |
| **EXPENSES:** | | |
| Payroll | 59,262 | 1,140 |
| Administrative | 36,496 | 702 |
| Utilities | 28,025 | 539 |
| Operating and Maintenance | 44,700 | 860 |
| Insurance and Business Taxes | 16,760 | 322 |
| Taxes and Assessments | 0 | - |
| Reserve for Replacement Deposits | 16,760 | 322 |
| **Subtotal Operating Expenses** | **202,003** | **3,885** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 210,395 | 4,046 |
| **Total Financial** | **210,395** | **4,046** |
| **Total Project Expenses** | **412,398** | **7,931** |

## Cash Flow — Glenbrook 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 | 459,228 | 470,709 | 482,476 | 494,538 | 506,902 | 519,574 | 532,564 | 5 |
| **TOTAL RENTAL INCOME** | **459,228** | **470,709** | **482,476** | **494,538** | **506,902** | **519,574** | **532,564** | **5** |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | |
| Laundry | 4,992 | 5,117 | 5,245 | 5,376 | 5,510 | 5,648 | 5,789 | |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **4,992** | **5,117** | **5,245** | **5,376** | **5,510** | **5,648** | **5,789** | |
| **GROSS INCOME** | **464,220** | **475,826** | **487,721** | **499,914** | **512,412** | **525,222** | **538,353** | **5** |
| *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 | 23,211 | 23,791 | 24,386 | 24,996 | 25,621 | 26,261 | 26,918 | |
| **EFFECTIVE GROSS INCOME** | **441,009** | **452,034** | **463,335** | **474,918** | **486,791** | **498,961** | **511,435** | **5** |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | |
| Expenses | 185,243 | 192,653 | 200,359 | 208,373 | 216,708 | 225,376 | 234,391 | 2 |
| Replacement Reserve | 16,760 | 16,760 | 16,760 | 16,760 | 16,760 | 17,598 | 17,598 | |
| *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** | **202,003** | **209,413** | **217,119** | **225,133** | **233,468** | **242,974** | **251,989** | **2** |
| **NET OPERATING INCOME** | **239,006** | **242,622** | **246,216** | **249,785** | **253,323** | **255,987** | **259,446** | **2** |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 2 |
| CalHFA - Bridge Loan | 2,428,400 | 0 | 0 | 0 | 0 | | | |
| CalHFA - HAT Loan (amortizing) | 0 | 0 | 0 | 0 | 0 | | | |
| **CASH FLOW after debt service** | **28,611** | **32,226** | **35,821** | **39,390** | **42,928** | **45,591** | **49,050** | |
| **DEBT COVERAGE RATIO** | **1.14** | **1.15** | **1.17** | **1.19** | **1.20** | **1.22** | **1.23** | |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Ye |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2.* |
| Affordable Rents | 587,851 | 602,547 | 617,611 | 633,051 | 648,877 | 665,099 | 681,727 | 698 |
| **TOTAL RENTAL INCOME** | **587,851** | **602,547** | **617,611** | **633,051** | **648,877** | **665,099** | **681,727** | **698** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.* |
| Laundry | 6,390 | 6,550 | 6,714 | 6,882 | 7,054 | 7,230 | 7,411 | 7 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **6,390** | **6,550** | **6,714** | **6,882** | **7,054** | **7,230** | **7,411** | **7** |
| | | | | | | | | |
| **GROSS INCOME** | **594,241** | **609,097** | **624,324** | **639,932** | **655,931** | **672,329** | **689,137** | **706** |
| | | | | | | | | |
| *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%* | *5.* |
| Less: Vacancy Loss | 29,712 | 30,455 | 31,216 | 31,997 | 32,797 | 33,616 | 34,457 | 35 |
| **EFFECTIVE GROSS INCOME** | **564,529** | **578,642** | **593,108** | **607,936** | **623,134** | **638,713** | **654,680** | **671** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.* |
| Expenses | 274,205 | 285,173 | 296,580 | 308,443 | 320,781 | 333,612 | 346,957 | 360 |
| Replacement Reserve | 18,478 | 18,478 | 18,478 | 18,478 | 18,478 | 19,402 | 19,402 | 19 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL EXPENSES** | **292,683** | **303,651** | **315,058** | **326,921** | **339,259** | **353,014** | **366,358** | **380** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **271,846** | **274,991** | **278,050** | **281,015** | **283,875** | **285,699** | **288,322** | **290** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210 |
| CalHFA - Bridge Loan | | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **61,451** | **64,596** | **67,655** | **70,619** | **73,480** | **75,303** | **77,926** | **80** |
| **DEBT COVERAGE RATIO** | **1.29** | **1.31** | **1.32** | **1.34** | **1.35** | **1.36** | **1.37** | |

## 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 | 752,499 | 771,311 | 790,594 | 810,359 | 830,618 | 851,383 | 872,668 |
| **TOTAL RENTAL INCOME** | **752,499** | **771,311** | **790,594** | **810,359** | **830,618** | **851,383** | **872,668** |
| | | | | | | | |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 8,180 | 8,384 | 8,594 | 8,809 | 9,029 | 9,255 | 9,486 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **8,180** | **8,384** | **8,594** | **8,809** | **9,029** | **9,255** | **9,486** |
| | | | | | | | |
| **GROSS INCOME** | **760,679** | **779,695** | **799,188** | **819,168** | **839,647** | **860,638** | **882,154** |
| | | | | | | | |
| *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 | 38,034 | 38,985 | 39,959 | 40,958 | 41,982 | 43,032 | 44,108 |
| **EFFECTIVE GROSS INCOME** | **722,645** | **740,711** | **759,228** | **778,209** | **797,664** | **817,606** | **838,046** |
| | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 405,890 | 422,126 | 439,011 | 456,571 | 474,834 | 493,828 | 513,581 |
| Replacement Reserve | 20,372 | 20,372 | 20,372 | 20,372 | 20,372 | 21,390 | 21,390 |
| *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** | **426,262** | **442,498** | **459,383** | **476,943** | **495,206** | **515,218** | **534,971** |
| | | | | | | | |
| **NET OPERATING INCOME** | **296,382** | **298,213** | **299,846** | **301,266** | **302,458** | **302,388** | **303,075** |
| | | | | | | | |
| **DEBT SERVICE** | | | | | | | |
| CalHFA - 1st Mortgage | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 |
| CalHFA - Bridge Loan | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | |
| | | | | | | | |
| **CASH FLOW after debt service** | **85,987** | **87,818** | **89,450** | **90,871** | **92,063** | **91,993** | **92,680** |
| **DEBT COVERAGE RATIO** | **1.41** | **1.42** | **1.43** | **1.43** | **1.44** | **1.44** | **1.44** |

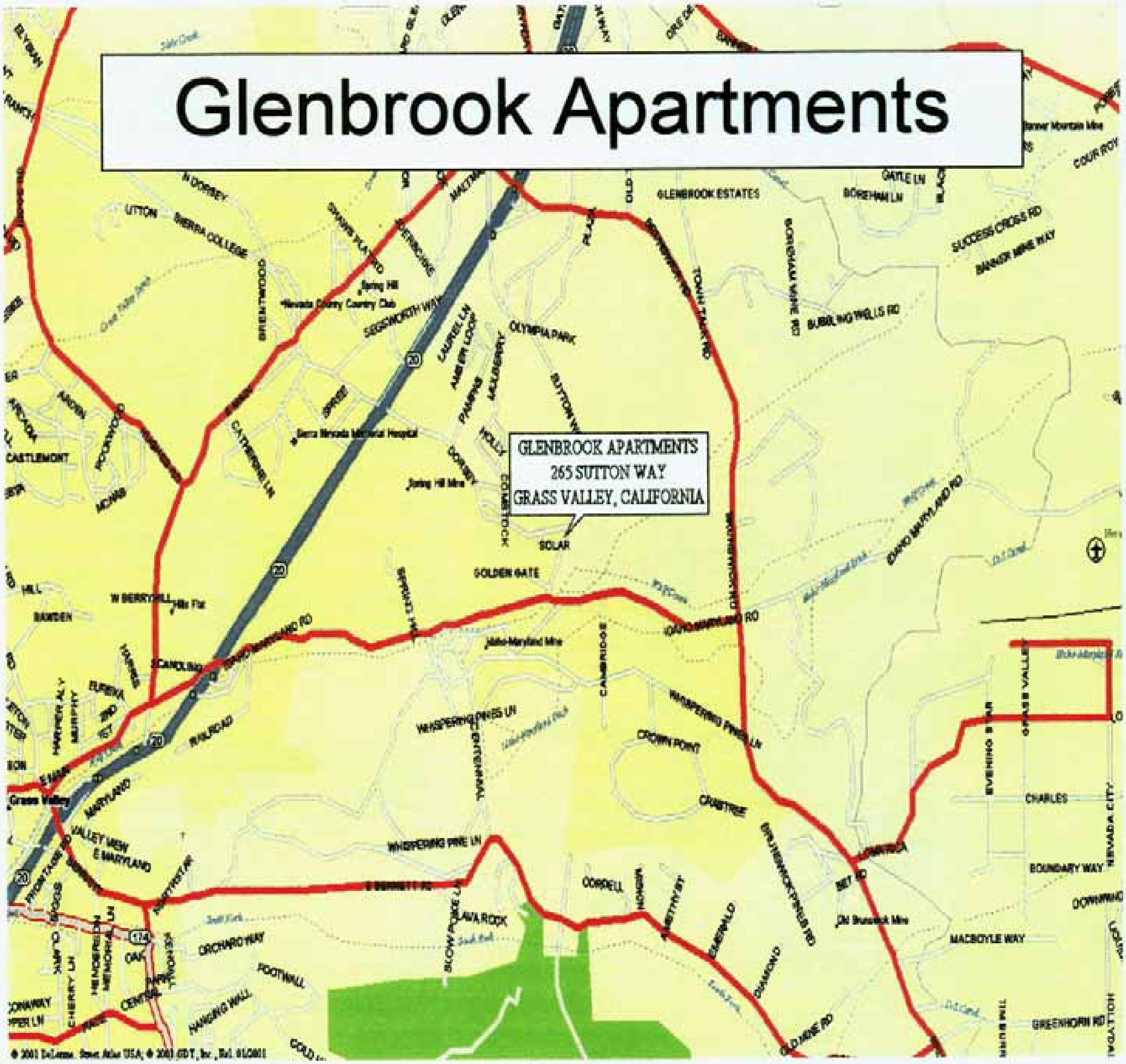
## Cash Flow

| RENTAL INCOME | Year 31 | Year 32 | Year 33 | Year 34 | Year 35 | Year 36 | Year 37 | Ye |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2* |
| Affordable Rents | 963,262 | 987,343 | 1,012,027 | 1,037,328 | 1,063,261 | 1,089,842 | 1,117,088 | 1,145 |
| **TOTAL RENTAL INCOME** | **963,262** | **987,343** | **1,012,027** | **1,037,328** | **1,063,261** | **1,089,842** | **1,117,088** | **1,145** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2* |
| Laundry | 10,471 | 10,733 | 11,001 | 11,276 | 11,558 | 11,847 | 12,143 | 12 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **10,471** | **10,733** | **11,001** | **11,276** | **11,558** | **11,847** | **12,143** | **12** |
| | | | | | | | | |
| **GROSS INCOME** | **973,733** | **998,076** | **1,023,028** | **1,048,604** | **1,074,819** | **1,101,689** | **1,129,232** | **1,157** |
| | | | | | | | | |
| *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%* | *5* |
| Less: Vacancy Loss | 48,687 | 49,904 | 51,151 | 52,430 | 53,741 | 55,084 | 56,462 | 57 |
| **EFFECTIVE GROSS INCOME** | **925,046** | **948,172** | **971,877** | **996,174** | **1,021,078** | **1,046,605** | **1,072,770** | **1,099** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4* |
| Expenses | 600,817 | 624,849 | 649,843 | 675,837 | 702,871 | 730,985 | 760,225 | 790 |
| Replacement Reserve | 22,460 | 22,460 | 22,460 | 22,460 | 22,460 | 23,583 | 23,583 | 23 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL EXPENSES** | **623,277** | **647,309** | **672,303** | **698,297** | **725,331** | **754,568** | **783,808** | **814** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **301,769** | **300,863** | **299,573** | **297,876** | **295,747** | **292,036** | **288,962** | **285** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210,395 | 210 |
| CalHFA - Bridge Loan | | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **91,374** | **90,468** | **89,178** | **87,481** | **85,352** | **81,641** | **78,567** | **74** |
| **DEBT COVERAGE RATIO** | **1.43** | **1.43** | **1.42** | **1.42** | **1.41** | **1.39** | **1.37** | |

THIS PAGE
INTENTIONALLY
LEFT BLANK


Glenbrook Apartments
GLENBROOK APARTMENTS
265 SUTTON WAY
GRASS VALLEY, CALIFORNIA
Chico
Oroville
Downieville
Reno
Carson City
Virginia City
Colusa
Yuba City
Grass Valley
South Lake Tahoe
Auburn
Placerville
Citrus Heights
Sacramento
Woodland
Davis
Santa Rosa
© 2001 DeLorme. Street Atlas USA; © 2001 GDT, Inc., Rel. 01/2001

THIS PAGE
INTENTIONALLY
LEFT BLANK


Glenbrook Apartments
GLENBROOK APARTMENTS
265 SUTTON WAY
GRASS VALLEY, CALIFORNIA
GLENBROOK ESTATES
SUCCESS CROSS RD
BUBBLING WELLS RD
OLYMPIA PARK
SEGSWORTH WAY
BRENTWOOD
SIERRA COLLEGE
CASTLEMONT
SOLAR
GOLDEN GATE
CAMBRIDGE
CROWN POINT
CRABTREE
WHISPERING PINES LN
WHISPERING PINE LN
CORDELL
EMERALD
DIAMOND
MACBOYLE WAY
BOUNDARY WAY
CHARLES
EVENING STAR
NEVADA CITY
GREENHORN RD
ORCHARD WAY
HANGING WALL
HENDERSON
MEMORIAL
CHERRY LN
CONWAY
RAILROAD
W BERRYHILL
HARPER AL Y
MURPHY
EUREKA
VALLEY VIEW
E MARYLAND
MARYLAND
Grass Valley
SLOW POKE LN
LAVA ROCK
COMSTOCK
HOLLY
DORSEY
MULBERRY
AMBER LOOP
LAUREL LN
PAMPAS
SUTTON WAY
TOWN TALK RD
BOREHAM LN
BOREHAM MINE RD
GAYLE LN
COUR ROY
BANNER MINE WAY
ELYSIAN
Old Brunswick Mine
Idaho-Maryland Mine
Spring Hill Mine
Spring Hill
Sierra Nevada Memorial Hospital
Nevada County Country Club
IDAHO MARYLAND RD
© 2001 DeLorme, Street Atlas USA; © 2001 GDT, Inc., Rel. 01/2001

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-12

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Oregon Investors VII, L.P., an Oregon limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 52-unit multifamily housing development located in the City of Grass Valley to be known as Glenbrook Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 5, 2003 (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 March 5, 2003, 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 CalHFA Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | | MORTGAGE AMOUNT |
|---|---|---|---|---|
| 02-049-N | Glenbrook Apartments<br>Grass Valley/Nevada | 52 | First Mortgage:<br>Bridge Loan: | $3,355,000<br>$2,335,000 |

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

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

I hereby certify that this is a true and correct copy of Resolution 03-12 adopted at a duly constituted meeting of the Board of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ______________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Bayview Senior Apartments
## CalHFA Loan # 03-027S

**SUMMARY:**

This is a Final Commitment request for a first mortgage in the amount of $11,740,000 with a blended rate of 5.50% for 30 years. The loan will include a tax-exempt portion in the amount of $10,565,000 and a taxable tail piece in the amount of $1,175,000. The tax-exempt loan in the amount of $10,565,000 is at 5.4%, amortized over thirty years and a taxable loan in the amount of $1,175,000 at 7%, amortized over thirty years. The City of Newport Beach is lending $1,000,000 for acquisition and construction costs. Newport Housing Partners L.P. is the owner of the Bayview Senior Housing Apartments, a 150 unit, new construction project located at the SW corner of Jamboree Road and Backbay Drive in Newport Beach, Orange County, California.

**LOAN TERMS:**

| | |
|---|---|
| **First Mortgage:** | $11,740,000 |
| Interest Rate: | 5.5%, fully amortized |
| Term: | 30 Years |
| Financing: | Tax-Exempt |

**LOCALITY INVOLVEMENT:**

The City of Newport Beach has approved a loan in an amount of up to $1,000,000 for a term of 57 years (2 years, interest only during construction, and a 55 year permanent loan). During the term of the loan, the interest rate is 1% simple interest. The loan is paid annually in an amount that is the greater of 20% of residual receipts or sufficient to fully amortize the loan over 55 years at a 1% interest rate. The City will record a 57 year regulatory agreement that will be subordinate to the CalHFA loan.

**GROUND LEASE:**

The project will be constructed on leased land owned by The Irvine Company. The ground lease term is for 57 years and payments to The Irvine Company will be 60% of residual receipts. In addition to the ground lease, The Irvine Company is providing a loan of $250,000 for pre-development costs. One half of the residual receipts will be applied to the repayment of the $250,000 loan and the balance will be applied to lease payments. Once the loan is repaid, all of the residual receipts due to The Irvine Company will be applied to the ground lease. A CalHFA Regulatory Agreement will be recorded against the fee interest and the Deed of Trust will be recorded against the leasehold interest. The exact terms of the Ground Lease are currently being negotiated and are subject to review and approval by CalHFA.

**PROJECT DESCRIPTION:**

**A. Site Design**

The site is 5 acres, zoned Planned Community (PC-39) for senior residential with a density bonus of 25% if affordable units are developed. The zoning allows for senior multifamily housing development of 30 units per acre and at 150 units, the proposed project falls within the allowable density.

The site is the vacant part of a 15 acre parcel that will include the project and a 10-acre park site. The park will be an open space, passive viewing park, with walking trails and benches. Prior to commencement of construction, a lot line adjustment will be recorded, splitting the residential parcel from the park parcel.

**B. Project Description**

The project will consist of 150 senior units in 3, three story buildings with two-story elements at the ends of the buildings. The architectural style is Mediterranean, with stucco finish, tile roofs and wood trim.

Each of the three buildings has an elevator, mail room, laundry room, trash chutes and a trash room. A building in the center of the project has a reception area, three offices, an exercise room, a computer room, a lounge and a theatre room. A pool, spa, patio and barbeque area will be centrally located and landscaping will feature strolling gardens, benches and a picnic area. Walkways from the project will lead to the 10 acre open space park, which overlooks the Newport Dunes. There will be 180 uncovered parking spaces, which translates to 1.2 spaces per unit.

The buildings are laid out to maximize the views of Upper Newport Bay and Newport Dunes, and the property location affords some of the best views in the Newport Beach area.

The park design includes a bike trail that will run through the site and connect to the existing trail at Newport Dunes; park benches for viewing upper Newport Bay, habitat restoration, ornamental landscaping, and a retention basin with riparian planting.

Unit Mix:
120 1 bedroom, 1 bath units (583 square feet).
30 2 bedroom, 1 bath units (810 square feet).

**C. Relocation**

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

**D. Project Location**

The project is bounded by Jamboree Road on the east, the Coast Highway on the south, Backbay Drive on the north, and Newport Dunes and the City of Newport to the west. The major traffic arteries serving the project are Jamboree Road traveling north and south and, Coast Highway (Highway 1) traveling east and west. The San Diego 405 and the Newport/Costa Mesa Freeway 55 are located within a seven mile radius of the project.

Directly east of the project are the Cove condominiums, and the Newport Yacht Club is located in the same vicinity. South of the project is Newport Bay and Balboa Island. North of the project is a neighborhood shopping center containing a Vons Supermarket and a variety of smaller shops. On the north side of the shopping center is a 520-unit family apartment complex built in 1989. West of the subject is the channel leading to the northern side of Harbor Island.

To the north of the project is the Coast Highway. The Coast Highway, along with the other major streets in the area, contains a large variety of commercial/retail centers providing a variety of services to the local community. Major supermarkets, department stores, gas-service stations, fast-food and sit-down restaurants are located in these centers and are conveniently located to the project. Fashion Island regional shopping center is located approximately 3 miles northeast of the subject.

The area is a well-established residential market, and 75% of the neighborhood is residential. Residential uses vary from single-family detached homes (10 years to 50+ years old) and multi-family apartment projects. The single-family homes are predominately one-story homes. The neighborhood surrounding the subject is a very desirable residential location in Coastal Orange County. All of the land on the Bay has been developed and housing prices around Bay are the highest in Orange County.

**MARKET:**

**A. Market Overview**

The City of Newport Beach is an upscale coastal location which has a median home price of $1.2 million dollars, and the median income is $100,000. Newport Beach is a very desirable location and draws prospective tenants to multi-family apartments from a wide market range. With the exception of the subject project, there are no affordable senior or family apartment projects in the City of Newport Beach.

The project's Competitive Market Area (CMA) spans a 10 mile radius and includes parts of Costa Mesa, Huntington Beach and Newport Beach. The CMA estimate includes these areas in order to draw from a wider base of senior tenants who qualify under the income limits for 50 & 60% of median income.

**B. Market Demand**

The market study reviewed seven multi-family apartment projects in the Cities of Irvine, Costa Mesa, and Huntington Beach. Two of the seven are market rate family projects built after 1990, and are 96% and 100% occupied. The older projects had occupancy levels between 94% and 98%.

Five senior projects were reviewed, of which two are affordable. One of the senior housing tax credit projects surveyed is located in Irvine, 7 miles from the subject. It is 116 units, and 50% of the units are restricted to tenants earning 50% of median income. The project is 100% occupied and has a waiting list of over 400 people. The second affordable senior project is located in Huntington Beach. It is a 191 unit project, of which 80 units are rented to persons earning 50% of median income. This project is still under construction, with completion scheduled for April. All of the affordable units have been pre-leased and there is a waiting list of over 50 people. The absorption rate achieved on this project is 26 units per month.

Due to the inferior location of both projects, the 100% occupancy rates for the affordable units, and the distance from the subject, these projects are not considered to be competition for the subject.

The average size for 1 bedroom units surveyed was 518 square feet and the subject is 572 s.f. The rents for 1 bedroom units surveyed ranges from $1,140 to $1,490. The average size for six projects with 2 bedroom units was 700 s.f. compared to the subject at 805 s.f. The average rents for two bedroom, 1 bath units ranges from $1,286 to $1,300.

**PROJECT FEASIBILITY:**

The subject project offers amenities that compare and exceed the amenities found in projects within the CMA. The sizes of the units offered by the subject property are also larger than those surveyed. The location is far superior to the multifamily and senior projects surveyed not only because of the Newport Beach location but also because the project offers views on Newport Bay, which is a highly desirable amenity.

**A. Rent Differentials (Market vs. Restricted)**

| Rent Level | Subject Project | Mkt.Rate Avg. | Difference | % of Market |
|---|---|---|---|---|
| ***One Bedroom*** | | *$1,150* | | |
| *50%-CHFA* | *$708* | | *$442* | *61%* |
| *60%-TCAC* | *$850* | | *$300* | *74%* |
| | | | | |
| ***Two Bedroom*** | | *$1,300* | | |
| *50%-CHFA* | *$850* | | *$450* | *65%* |
| *60%-TCAC* | *$1,020* | | *$280* | *78%* |
| | | | | |

The market rents noted above were provided by the appraiser, and by his calculation, conservative.

**B. Estimated Lease-Up Period**

The market research concludes that the subject project will be occupied as quickly as the management agent can process and approve applications. The market study anticipates full lease-up within 3 months.

**OCCUPANCY RESTRICTIONS:**

CHFA: 20% of the units (30) will be restricted to 50% or less of median income.

CNB: 80% (119) will be restricted to 60% or less of median income.
TCAC: 100% (150) of the units will be restricted to 60% or less of median income.

**ENVIRONMENTAL:**

The site has been vacant since 1950, when a house was removed. The site has been the subject of two previous road alignments to Backbay Drive and Jamboree Drive; the old roads were abandoned. Sometime between 1953 and 1958, sludge dredge from the nearby inland bay and road construction areas was placed on the site.

A Geotechnical Investigation by NMG Geotechnical Inc. dated December 18, 2002 investigated the existing subsurface conditions. The report concluded that the soil on the site is expansive, the water table is from 8.5 to 15 feet below the surface and bedrock is located 25 to 30 feet below the surface. Drainage is poor due to the relatively high water table. Due to soil conditions, the report recommends removing the top 8-10 feet of dredge material, raising the site by five feet and surcharging the building pad portions of the site for a 3-month period in order to mitigate the long-term settlement potential. In addition, a detention pond will be installed to collect water run-off and mitigate site drainage issues.

A Phase I Environmental Site Assessment dated December 13, 2002 revealed that in addition to a house formerly occupying the site, an associated trash fill area was identified as containing debris from the former construction. It recommends the debris be sampled and disposed of properly.

A Shell Service Station was formerly located 300 feet from the south of the property. The station operated until the late 1980s, and the underground tanks were removed in the demolition of the station. Records indicate that a gasoline release impacting ground water was reported in 1992, and tests revealed that petroleum hydrocarbons were detected under the Shell Station site. The Shell Station site was cleaned and has been monitored since. Tests indicate that contamination has not migrated from the Shell site onto the project housing site. The underground water flow at the property is to the west, based on data from numerous ground water monitoring wells located at the Shell Station site. The project is cross-gradient from the former Shell site, and recent borings to a depth of 17 feet below ground surface have revealed contaminant levels below the drinking water standards for maximum content. The report concludes that based on the low concentrations of contaminants found during testing, the distance of the operations of the Shell Station and the cross-gradient location of the Shell site to the subject property, there is a low likelihood that the property has been adversely impacted by the release from the Shell Station.

For both the geotechnical and Phase I investigations, updates are being required, and all reports be subject to review by an outside third parties that are acceptable to CalHFA.

**ARTICLE 34:**

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

**DEVELOPMENT TEAM:**

**A. Borrower's Profile**

Newport Housing Partners, L.P. is the limited partnership formed for the development and ownership of the subject project. Las Palmas Foundation, a California nonprofit public benefit corporation is the managing general partner, and Related/Newport Development Co., LLC, is the administrative general partner for the partnership.

Las Palmas Foundation was formed in 1992 to develop and manage high-density, affordable housing and to provide service-enriched programs for tenants. Las Palmas has experience acquiring properties, obtaining entitlements, financing and developing projects and manager for the projects. They are the managing general partner of 13 affordable housing projects totaling 1,776 units of senior and family housing. There are also five projects totaling 898 units that are currently in development.

Related/Newport Development Co., LLC and the Related Companies of California have developed 15 projects totaling 4,793 units of affordable multi-family housing over the past five years, 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.

**B. Contractor**

The contractor will not been selected until plans are complete and put out to competitive bid. However, Portrait Homes, Inc. of Corona, California has provided a cost estimate for the project.

**C. Architect**

Thomas P. Cox Architects Inc. is the architect for the project. The firm specializes in medium and high-density urban in-fill and mixed-use projects throughout the western United States.

**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: 5-Mar-03

## Project Profile:

| | | | | |
|---|---|---|---|---|
| *Project:* | Bayview Senior Apartments | | | |
| *Location:* | Jamboree Rd and Backbay Drive | | | |
| | Newport Beach 92660 | *Cap Rate:* | 7.50% | *estimated by appraiser* |
| *County:* | Orange | *Market:* | $0 | |
| *Borrower:* | Newport Housing Partners, L.P. | *Income:* | $21,461,333 | *based on market rent* |
| *Managing G.P.* | Las Palmas Foundation, a CA nonprofit coı | *Final Value:* | $0 | |
| *Admin. G.P.* | Related/Newport Development Co., LLC, | | | |
| *LP:* | | ***LTC/LTV:*** | | |
| *Program:* | Tax-Exempt | *Loan/Cost* | 67.2% | |
| *CalHFA#* | 03-027S | *Loan/Value* | 54.7% | |

## Project Description:

| | |
|---|---|
| *Units* | 150 |
| *Handicap Units* | 7 |
| *Bldg. Type* | senior |
| *Buildings* | 3 |
| *Stories* | 3 |
| *Gross Sq Ft* | 92,790 |
| *Land Sq Ft* | 215,622 |
| *Units/Acre* | 30 |
| *Total Parking* | 180 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $11,740,000 | $78,267 | 5.50% | 30 |
| CalHFA Bridge | $0 | $0 | 0.00% | - |
| CalHFA Loan to Lender | $0 | $0 | 0.00% | - |
| Loan 5- City of Newport | $1,000,000 | $6,667 | 1.00% | 57 |
| Loan 6- The Irvine Company | $250,000 | $1,667 | 1.00% | 57 |
| AHP | $0 | $0 | 0.00% | - |
| Grants | $0 | $0 | 0.00% | - |
| Contributions From Operations | $0 | $0 | 0.00% | - |
| Borrower Contribution | $0 | $0 | 0.00% | - |
| Deferred Developer Equity | $0 | $0 | 0.00% | - |
| Tax Credit Equity | $4,474,671 | $29,831 | 0.00% | - |
| | | $0 | | - |
| 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 | 24 | 661 | 96 | 803 | 0 | 0 | 120 |
| 2 bedroom | 1 | 0 | 0 | 0 | 6 | 788 | 23 | 958 | 0 | 0 | 30 |
| 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 | | 30 | | 119 | | 0 | | |
| | | | | | | | | | | | 150 |

* net rent

## Fees, Escrows, and Reserves:

| Fees | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment Fee | 1.00% | of Total Loans or L to L Amt. | $117,400 | Cash |
| Finance Fee | 0.50% | of Total Loans or 1st if L to L | $58,700 | Cash |
| **Escrows** | | | | |
| Bond Origination Guarantee | 1.00% | of T/E Loans; or L to L if applicable | $117,400 | Letter of Credit |
| Inspection fee | $1,500 | x months of construction | $18,000 | Cash |
| Construction Defect | 2.50% | of Hard Costs | $279,226 | Letter of Credit |
| **Reserves** | | | | |
| Utilitity Stabilization Reserve | 0.00% | of Utilities | $0 | Letter of Credit |
| Operating Expense Reserve | 10.00% | of Gross Income | $145,817 | Letter of Credit |
| Initial Deposit to Replacement Reserve | 0.00% | of Gross Income | $0 | Cash |
| Annual Replacement Reserve Deposit - New Construct | $250 | per unit | $37,500 | Operations |

# Sources and Uses
## Bayview Senior Apartments

### SOURCES:

| *Name of Lender / Source* | Amount | $ per unit |
|---|---|---|
| CalHFA First Mortgage | 11,740,000 | 78,267 |
| CalHFA Taxable | 0 | 0 |
| CalHFA HAT | 0 | 0 |
| CalHFA Loan to Lender | 0 | 0 |
| Loan 5- City of Newport | 1,000,000 | 6,667 |
| Other Loans | 250,000 | 1,667 |
| **Total Institutional Financing** | **12,990,000** | **86,600** |
| | | |
| ***Equity Financing*** | | |
| Tax Credits | 4,474,671 | 29,831 |
| Deferred Developer Equity | 0 | 0 |
| **Total Equity Financing** | **4,474,671** | **29,831** |
| | | |
| **TOTAL SOURCES** | **17,464,671** | **116,431** |

### USES:

| | | |
|---|---|---|
| Acquisition | 101,885 | 679 |
| Rehabilitation | 0 | 0 |
| New Construction | 11,319,027 | 75,460 |
| Architectual Fees | 663,300 | 4,422 |
| Survey and Engineering | 0 | 0 |
| Const. Loan Interest & Fees | 1,106,034 | 7,374 |
| Permanent Financing | 187,500 | 1,250 |
| Legal Fees | 150,000 | 1,000 |
| Reserves | 149,783 | 999 |
| Contract Costs | 8,700 | 58 |
| Construction Contingency | 687,738 | 4,585 |
| Local Fees | 1,225,610 | 8,171 |
| TCAC/Other Costs | 215,094 | 1,434 |
| **PROJECT COSTS** | **15,814,671** | **105,431** |
| | | |
| Developer Overhead/Profit | 1,500,000 | 10,000 |
| Consultant/Processing Agent | 150,000 | 1,000 |
| | | |
| **TOTAL USES** | **17,464,671** | **116,431** |

# Annual Operating Budget

## Bayview Senior Apartments

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 1,436,568 | 9,577 |
| Laundry | 21,600 | 144 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **1,458,168** | **9,721** |
| **Less:** | | |
| Vacancy Loss | 72,908 | 486 |
| **Total Net Revenue** | **1,385,260** | **9,235** |
| **EXPENSES:** | | |
| Payroll | 115,000 | 767 |
| Administrative | 120,800 | 805 |
| Utilities | 67,000 | 447 |
| Operating and Maintenance | 82,000 | 547 |
| Insurance and Business Taxes | 46,500 | 310 |
| Taxes and Assessments | 30,000 | 200 |
| Reserve for Replacement Deposits | 37,500 | 250 |
| **Subtotal Operating Expenses** | **498,800** | **3,325** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 804,326 | 5,362 |
| **Total Financial** | **804,326** | **5,362** |
| **Total Project Expenses** | **1,303,126** | **8,688** |

## Cash Flow — Bayview Senior Apartments — CalHFA Development Num

| 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 | 1,436,568 | 1,472,482 | 1,509,294 | 1,547,027 | 1,585,702 | 1,625,345 | 1,665,978 | 1 |
| **TOTAL RENTAL INCOME** | **1,436,568** | **1,472,482** | **1,509,294** | **1,547,027** | **1,585,702** | **1,625,345** | **1,665,978** | **1** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | |
| Laundry | 21,600 | 22,140 | 22,694 | 23,261 | 23,842 | 24,438 | 25,049 | |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **21,600** | **22,140** | **22,694** | **23,261** | **23,842** | **24,438** | **25,049** | |
| | | | | | | | | |
| **GROSS INCOME** | **1,458,168** | **1,494,622** | **1,531,988** | **1,570,287** | **1,609,545** | **1,649,783** | **1,691,028** | **1** |
| | | | | | | | | |
| *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 | 72,908 | 74,731 | 76,599 | 78,514 | 80,477 | 82,489 | 84,551 | |
| **EFFECTIVE GROSS INCOME** | **1,385,260** | **1,419,891** | **1,455,388** | **1,491,773** | **1,529,067** | **1,567,294** | **1,606,476** | **1** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | |
| Expenses | 451,300 | 469,352 | 488;126 | 507,651 | 527,957 | 549,075 | 571,038 | |
| Replacement Reserve | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 | 39,375 | 39,375 | |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | |
| Taxes and Assessments | 10,000 | 10,200 | 10,404 | 10,612 | 10,824 | 11,041 | 11,262 | |
| **TOTAL EXPENSES** | **498,800** | **517,052** | **536,030** | **555,763** | **576,281** | **599,491** | **621,675** | |
| | | | | | | | | |
| **NET OPERATING INCOME** | **886,460** | **902,839** | **919,358** | **936,010** | **952,786** | **967,803** | **984,801** | **1** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | |
| CalHFA Taxable | | | | | | | | |
| CalHFA - HAT Loan (amortizing) | 0 | 0 | 0 | 0 | 0 | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **82,133** | **98,513** | **115,032** | **131,684** | **148,460** | **163,477** | **180,475** | |
| **DEBT COVERAGE RATIO** | **1.10** | **1.12** | **1.14** | **1.16** | **1.18** | **1.20** | **1.22** | |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Ye |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2.* |
| Affordable Rents | 1,838,928 | 1,884,902 | 1,932,024 | 1,980,325 | 2,029,833 | 2,080,579 | 2,132,593 | 2,185, |
| **TOTAL RENTAL INCOME** | **1,838,928** | **1,884,902** | **1,932,024** | **1,980,325** | **2,029,833** | **2,080,579** | **2,132,593** | **2,185,** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.* |
| Laundry | 27,650 | 28,341 | 29,050 | 29,776 | 30,520 | 31,283 | 32,065 | 32, |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **27,650** | **28,341** | **29,050** | **29,776** | **30,520** | **31,283** | **32,065** | **32,** |
| | | | | | | | | |
| **GROSS INCOME** | **1,866,578** | **1,913,243** | **1,961,074** | **2,010,101** | **2,060,353** | **2,111,862** | **2,164,659** | **2,218** |
| | | | | | | | | |
| *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%* | *5.* |
| Less: Vacancy Loss | 93,329 | 95,662 | 98,054 | 100,505 | 103,018 | 105,593 | 108,233 | 110 |
| **EFFECTIVE GROSS INCOME** | **1,773,249** | **1,817,581** | **1,863,020** | **1,909,596** | **1,957,336** | **2,006,269** | **2,056,426** | **2,107** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.* |
| Expenses | 668,034 | 694,756 | 722,546 | 751,448 | 781,506 | 812,766 | 845,276 | 879 |
| Replacement Reserve | 41,344 | 41,344 | 41,344 | 41,344 | 41,344 | 43,411 | 43,411 | 43 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.* |
| Taxes and Assessments | 12,190 | 12,434 | 12,682 | 12,936 | 13,195 | 13,459 | 13,728 | 14 |
| **TOTAL EXPENSES** | **721,568** | **748,533** | **776,572** | **805,727** | **836,044** | **869,635** | **902,415** | **936** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **1,051,681** | **1,069,048** | **1,086,448** | **1,103,868** | **1,121,291** | **1,136,634** | **1,154,010** | **1,171** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | 804 |
| CalHFA Taxable | | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **247,355** | **264,721** | **282,122** | **299,542** | **316,965** | **332,307** | **349,684** | **367** |
| **DEBT COVERAGE RATIO** | **1.31** | **1.33** | **1.35** | **1.37** | **1.39** | **1.41** | **1.43** | |

## 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 | 2,353,984 | 2,412,834 | 2,473,154 | 2,534,983 | 2,598,358 | 2,663,317 | 2,729,900 |
| **TOTAL RENTAL INCOME** | **2,353,984** | **2,412,834** | **2,473,154** | **2,534,983** | **2,598,358** | **2,663,317** | **2,729,900** |
| | | | | | | | |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 35,394 | 36,279 | 37,186 | 38,116 | 39,068 | 40,045 | 41,046 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **35,394** | **36,279** | **37,186** | **38,116** | **39,068** | **40,045** | **41,046** |
| | | | | | | | |
| **GROSS INCOME** | **2,389,378** | **2,449,113** | **2,510,340** | **2,573,099** | **2,637,426** | **2,703,362** | **2,770,946** |
| | | | | | | | |
| *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 | 119,469 | 122,456 | 125,517 | 128,655 | 131,871 | 135,168 | 138,547 |
| **EFFECTIVE GROSS INCOME** | **2,269,909** | **2,326,657** | **2,384,823** | **2,444,444** | **2,505,555** | **2,568,194** | **2,632,399** |
| | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 988,854 | 1,028,408 | 1,069,544 | 1,112,326 | 1,156,819 | 1,203,092 | 1,251,216 |
| Replacement Reserve | 45,581 | 45,581 | 45,581 | 45,581 | 45,581 | 47,861 | 47,861 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 14,859 | 15,157 | 15,460 | 15,769 | 16,084 | 16,406 | 16,734 |
| **TOTAL EXPENSES** | **1,049,295** | **1,089,146** | **1,130,586** | **1,173,677** | **1,218,485** | **1,267,359** | **1,315,810** |
| | | | | | | | |
| **NET OPERATING INCOME** | **1,220,614** | **1,237,511** | **1,254,238** | **1,270,767** | **1,287,070** | **1,300,835** | **1,316,588** |
| | | | | | | | |
| **DEBT SERVICE** | | | | | | | |
| CalHFA - 1st Mortgage | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 | 804,326 |
| CalHFA Taxable | | | | | | | |
| CalHFA - HAT Loan (amortizing) | | | | | | | |
| | | | | | | | |
| **CASH FLOW after debt service** | **416,288** | **433,184** | **449,911** | **466,441** | **482,744** | **496,509** | **512,262** |
| **DEBT COVERAGE RATIO** | **1.52** | **1.54** | **1.56** | **1.58** | **1.60** | **1.62** | **1.64** |

## UNIT MIX & RENT STRUCTURE — Bayview Senior Apartments

### Residential Units

*Note: Averages require blank cells rather than zeros; zero values will be bring down the actual averages*

| | Per Unit Square Feet | Total Number of Units | GROSS Rent per Unit/Mo | Utility Allow per Unit/Mo | NET Rent per Unit/Mo w/o utility | Restricted Rent w/o utility | Market Rent per Unit/Mo w/o utility | Market Premium Over Net Rent w/o utility $ | % | Monthly Income |
|---|---|---|---|---|---|---|---|---|---|---|
| **35% TCAC** | | | | | | | | | | |
| Manager | | - | $0 | $0 | $0 | | | $0 | 0% | $0 |
| 0 BR | | | | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 1 BR | 572 | | $708 | $47 | $0 | $0 | $0 | $0 | 0% | $0 |
| 2 BR | 805 | - | $850 | $62 | $0 | $0 | $0 | $0 | 0% | $0 |
| 3 BR | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 4 BR | | | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 5 BR | | | | $0 | $0 | $0 | | $0 | 0% | |
| Subtotal or Weighted Avg. | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| **50% CHFA** | | | | | | | | | | |
| Manager | - | - | $0 | $0 | $0 | | | $0 | 0% | $0 |
| 0 BR | - | - | | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 1 BR | 572 | 24 | $708 | $47 | $661 | $756 | $1,150 | $489 | 74% | $15,864 |
| 2 BR | 805 | 6 | $850 | $62 | $788 | $851 | $1,300 | $512 | 65% | $4,728 |
| 3 BR | - | | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 4 BR | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 5 BR | - | | $0 | $0 | $0 | $0 | $0 | $0 | | $0 |
| Subtotal or Weighted Avg. | 619 | 30 | $736 | $50 | $686 | $775 | $1,180 | $494 | 72% | $20,592 |
| **60% TCAC** | | | | | | | | | | |
| Manager 2br. | 805 | 1 | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 0 BR | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 1 BR | 572 | 96 | $850 | $47 | $803 | $851 | $1,150 | $347 | 43% | $77,088 |
| 2 BR | 805 | 23 | $1,020 | $62 | $958 | $1,021 | $1,300 | $342 | 36% | $22,034 |
| 3 BR | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 4 BR | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| 5 BR | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| Subtotal or Weighted Avg. | 619 | 120 | $876 | $49 | $826 | $876 | $1,169 | $343 | 41% | $99,122 |
| **SUBTOTAL SUBSIDIZED** | 619 | 150 | $848 | $50 | $798 | $856 | $1,171 | $373 | 48% | $119,714 |
| **Market Rate Units** | | | | | | | | | | |
| Manager | | | | $0 | $0 | | $0 | | | $0 |
| 0 BR | - | | | | $0 | | | | | $0 |
| 1 BR | 572 | | | | $0 | | | | | $0 |
| 2 BR | 805 | | | | $0 | | $0 | | | $0 |
| 3 BR | - | | | | $0 | | $0 | | | $0 |
| 4 BR | - | | | | $0 | | $0 | | | $0 |
| 5 BR | - | | | | $0 | | $0 | | | $0 |
| Subtotal or Weighted Avg. | - | - | $0 | $0 | $0 | $0 | $0 | $0 | 0% | $0 |
| **GRAND TOTAL OR W. AVG.** | 624 | 150 | $848 | $50 | $798 | $856 | $1,171 | $373 | 48% | $119,714 |

$ 1,436,568

### Commercial Space:

| Commercial Space | Per Unit Square Feet | Total Number of Units | Total Square Feet | Rent per Sq Ft/Mo | Monthly Rent |
|---|---|---|---|---|---|
| Commercial Space 1 | - | - | 0 | 0.00 | $ - |
| Commercial Space 2 | - | - | 0 | 0.00 | $ - |
| Commercial Space 3 | - | - | 0 | 0.00 | $ - |
| Total | | | | | $ - |

### Laundry:

| Per Unit | Total Monthly | |
|---|---|---|
| $ 12.00 | $ 1,800 | $ 21,600 |

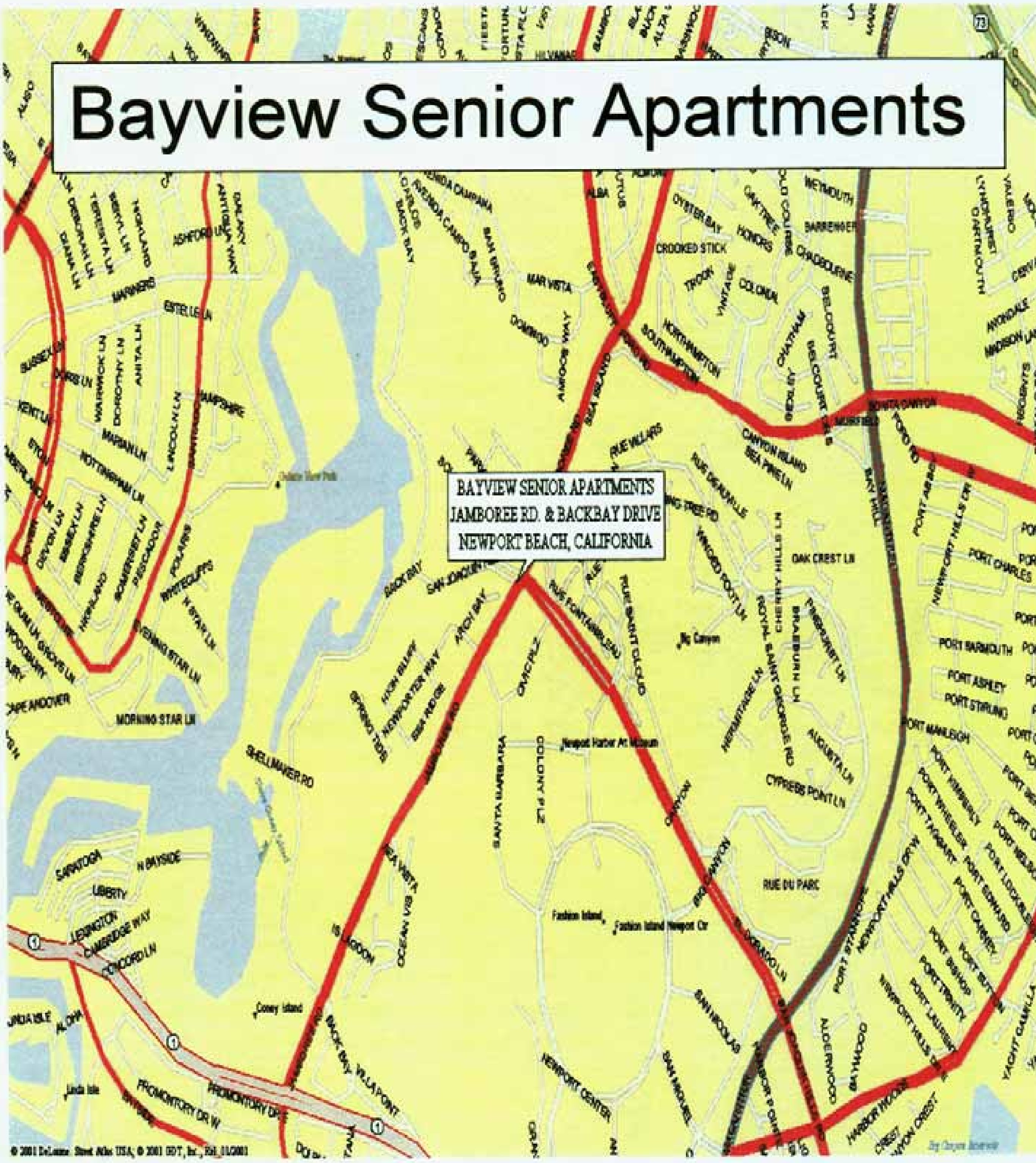
### Other:

| Per Unit | Total Monthly |
|---|---|
| $ - | $ - |


Bayview Senior Apartments
BAYVIEW SENIOR APARTMENTS
JAMBOREE RD. & BACKBAY DRIVE
NEWPORT BEACH, CALIFORNIA
Costa Mesa
Newport Beach
Corona Del Mar
Santa Ana Heights
Crystal Cove
San Joaquin Hills
VICTORIA
HAMILTON
HARBOR
W 19TH
NEWPORT COAST

THIS PAGE
INTENTIONALLY
LEFT BLANK

# Bayview Senior Apartments



© 2001 DeLorme. Street Atlas USA; © 2001 GDT, Inc., Rel. 01/2001

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-13

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Newport Housing Partners, 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 150-unit multifamily housing development located in the City of Newport Beach to be known as Bayview Senior Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 5, 2003 (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 March 5, 2003, 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 CalHFA Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 03-027-S | Bayview Senior Apartments<br>Newport Beach/Orange | 150 | First Mortgage: $11,740,000 of which $10,565,000 is tax-exempt fund and $1,175,000 is from other funds |

COURT PAPER
STATE OF CALIFORNIA
STD. 113 (REV. 3-95)
OSP 98 10924

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 03-13 adopted at a duly constituted meeting of the Board of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ____________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

**Final Commitment**
**for Moore Village at Wildhorse**
**CalHFA #01-046-N**

## PROJECT SUMMARY:

This is a Final Commitment request for a tax-exempt, first mortgage loan to Davis Mutual Housing Association (DMHA) in the amount of $2,950,000, and a two year tax-exempt bridge loan of $1,945,000. Moore Village at Wildhorse is a 59-unit, new construction, family apartment project located at 2412 Sloan Street off Moore Boulevard, in the City of Davis, Yolo County.

## LOAN TERMS:

| | |
|---|---|
| **First Mortgage Amount:** | $2,950,000 |
| Interest Rate: | 5.40% |
| Term: | 30 year fixed, fully amortized |
| Financing: | tax-exempt |
| **Bridge Loan Amount:** | $1,945,000 |
| Interest Rate: | 4.0% |
| Term: | 2 year, simple interest |
| Financing: | tax-exempt |

## LOCALITY INVOLVEMENT:

The City of Davis will fund a $3,300,000 development loan for 30 years, at 3.00% simple interest, with residual receipt payments. Additionally, the City of Davis has contributed the site, which is valued at $539,000.

## SITE DESIGN:

The subject property is zoned PD 3-89 for planned developments of 15 units per acre allowing for up to 59 units on the 3.93 acre site. The project will be situated on an irregularly shaped, flat vacant 3.93-acre site (171,191 square feet) located in the northern part of east Davis.

## PROJECT DESCRIPTION:

The project will consist of 59 units in seventeen 1 & 2 story townhome complexes and one community building with a laundry facility. The unit mix will consist of seventeen 1 bedroom/1 bath units (640 sf); seventeen 2 bedroom/1 bath units (960 sf); and twenty-five 3 bedroom/2 bath units (1120 sf). Unit amenities include central heat and air conditioning, refrigerator, garbage disposal, range/oven, dishwasher, and patio area. The two and three bedroom units will have laundry hook-ups in the units.

There will also be a 1,200 square foot community building that will include a leasing office, laundry room, meeting room, kitchen, and bathrooms. Other project amenities include a handball court, tot lot, barbeque area with picnic tables and bicycle parking. There will be 93 uncovered, centrally located parking spaces on the site surrounding the community building and tot lot areas so that they are not visible from the access roads to the site.

**MARKET:**

**A: Market Overview**

The Primary Market Area (PMA) is the City of Davis. Davis is located in the southern part of Yolo County, which is in California's Central Valley and is located between Sacramento and Dixon. The subject property is located approximately 1.3 miles north of Interstate 80 and 1.9 miles east of State Highway 113. Moore Village is situated within a newly developed residential neighborhood consisting of upper-scale single-family homes priced at $450,000 to $600,000 close to the new private Wildhorse Golf Course.

**B: Market Demand**

According to a market study prepared by The Siegel Group there are over 9,800 rental units in Davis, of which 24%, or 2,315 units are located in 31 subsidized apartment complexes. A local non-profit housing developer, CHOC, owns 10 affordable housing projects in Davis and currently maintains a waiting list of over 600 income eligible families. The market study estimated that less than a 2% capture rate of income eligible households in Davis are required for rent-up of this project.

**C: Housing Supply**

The market study surveyed 1,249 rental units within one mile of the subject property. Of this total, 883 are market rate units in six developments that are an average of 27 years old, experiencing 100% occupancy rates, and rent as many as 90% of their units to students. Monthly market rate rents for a one bedroom unit are $727 to $944; two bedroom rents range between $941 to $1,161; and three bedroom rents range between $1,307 to $1,647.

There are 366 affordable units in 5 developments within one mile of the subject property. They are 2-10 years old, experiencing average occupancy rates of 98%. All of the units surveyed are generally in good condition and contain competitive unit and project amenities.

The City of Davis indicates that there are currently ten pending and proposed affordable housing developments that account for approximately 527 potential new units (these figures include the subject property) The Siegel Group does not expect the potential new units to have a material impact on the demand for units at the subject property as the demand for affordable housing units in Davis is strong. Supply of both affordable and market rate housing in the city of Davis is relatively low because the city has a general plan that favors slow growth and has placed strict limitations on future development.

Median home prices in Davis have increased a substantial 83.4% over the past three years, rising from $207,200 in 1999 to $380,000 at present. Home ownership is not an option for the income eligible tenants of Moore Village as entry level homes start at around $270,000 and cost approximately $2,000 month assuming a five percent down payment.

**PROJECT FEASIBILITY:**

**A: Rent Differentials (Market vs. Restricted)** The subject property's proposed rents are competitive with income-restricted properties in the area and are between 28% and 58% below net adjusted market rents for projects of similar class. This represents a significant value in the market place and is underscored by the upward trend in Davis market rents. All of the surveyed market-rate properties have increased their rents over the past year by $30 to $95 per unit per month. The following table illustrates the affordability of the subject units relative to the market:

| | Subject Rent | Market Rate Avg. | Rent Difference | % of Market Rent |
|---|---|---|---|---|
| **One Bdrm** | | $823 | | |
| 50% | $507 | | $316 | 62% |
| 60% | $578 | | $245 | 70% |
| **Two Bdrm** | | $966 | | |
| 50% | $564 | | $402 | 58% |
| 60% | $692 | | $274 | 72% |
| **Three Bdrm** | | $1484 | | |
| 50% | $619 | | $865 | 42% |
| 60% | $795 | | $689 | 54% |

**B. Estimated Lease-Up Period**

The market analyst estimates unit lease-up at 15 units per month, for an estimated lease-up time of four months.

**OCCUPANCY RESTRICTIONS:**

| | |
|---|---|
| CALHFA: | 20% of the units (12) will be restricted to 50% or less of median income. |
| TCAC: | 100% of the units (58) will be restricted to 60% or less of median income. |
| CITY: | 100% of the units (58) will be restricted to 60% or less of median income. |

**ENVIRONMENTAL:**

An Environmental Site Assessment was prepared for the entire Wildhorse subdivision by Wallace-Kuhl and Asociates, Inc. in August 1996. The assessment revealed no adverse environmental conditions. An updated Phase I has been ordered and will be a condition of the final commitment. A seismic review was performed and there are no seismic design requirements for this project.

**ARTICLE 34:**

An opinion letter will be required prior to permanent loan funding indicating whether or not Article 34 applies. The opinion letter is subject to CalHFA's review and approval.

**DEVELOPMENT TEAM:**

**A. Borrower's Profile**

The developer is Davis Mutual Housing Association (DMHA), a California 501(c)(3) non-profit public benefit corporation, incorporated in 1995. DMHA developed the 36-unit Twin Pines (AKA Northstar) affordable housing project which has CalHFA financing, and they are near completion of a 45-unit affordable housing project called Owendale Community Housing in south Davis. CalHFA is currently reviewing a DMHA loan request to finance another 36-unit affordable housing project in south Davis called Tremont Green at El Macero.

DMHA will create a limited partnership to hold title to the subject property with DMHA, or a subsidiary, as the managing general partner.

**B. Architect**

Berteaux Architectural Collaborative is an architectural, planning, and development services firm located in Davis, California. Richard Berteaux has been a licensed architect since 1962 and his partner Alice Eichold has been licensed since 1973. Berteaux's firm is known for designing climate-sensitive, environmentally friendly, affordable housing designs.

## C. Management Agent

The John Stewart Company will provide the property management services for the project. The John Stewart Company manages 160 units in Davis, approximately 16,000 in northern California and nearly 20,000 units total throughout the state of California.

# Project Summary

**Moore Village at Wildhorse**

178

Date: 5-Mar-03

## Project Profile:

| | | | |
|---|---|---|---|
| *Project :* | Moore Village at Wildhorse | | |
| *Location:* | 2412 Sloan Street | | Estimated |
| | Davis 95616 | *Cap Rate:* | 8.50% |
| *County:* | Yolo | *Market:* | |
| *Borrower:* | Davis Mutual Housing Assoc. | *Income:* | $6,490,000 |
| *GP:* | DMHA | *Final Value:* | $6,490,000 |
| *GP:* | | | |
| *LP:* | | ***LTC/LTV:*** | Estimated |
| *Program:* | Tax Exempt | *Loan/Cost* | 31.4% |
| *CHFA # :* | 01-046-N | *Loan/Value* | 45.5% |

## Project Description:

| | |
|---|---|
| *Units* | 59 |
| *Handicap Units* | 2 |
| *Bldge Type* | New Const. |
| *Buildings* | 17 |
| *Stories* | 1 & 2 |
| *Gross Sq Ft* | 58,400 |
| *Land Sq Ft* | 171,191 |
| *Units/Acre* | 15 |
| *Total Parking* | 93 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $2,950,000 | $50,000 | 5.40% | 30 |
| CalHFA Bridge | $1,945,000 | $32,966 | 4.00% | 2 |
| City of Davis Loan(s) | $3,300,000 | $55,932 | 3.00% | 55 |
| City Land Contribution | $539,000 | $9,136 | | |
| Tax Credit Equity | $2,607,299 | $44,192 | | |

## Unit Mix:

| Type | Manager | | 50% AMI | | 60% AMI | | 60% AMI | | Market | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent | number | rent* | number | rent* | number | rent* | number | rent* | |
| 1 bedroom | | | 4 | 507 | 13 | 578 | 0 | 823 | 0 | 0 | 17 |
| 2 bedroom | | | 4 | 564 | 13 | 692 | 0 | 966 | 0 | 0 | 17 |
| 3 bedroom | 1 | 802 | 5 | 619 | 19 | 795 | 0 | 1484 | 0 | 0 | 25 |
| **subtotal** | 1 | | 13 | | 45 | | 0 | | 0 | | |
| | | | | | | | | | | | 59 |

* net rent

## Fees, Escrows, and Reserves:

| | Basis of Requirements | Amount | Security |
|---|---|---|---|
| **Fees** | | | |
| Loan fees | 1.00% perm+bridge | $48,950 | Cash |
| | 0.50% of Permanent Loan | $14,750 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of Tax Exempt Loan Amts. | $48,950 | Letter of Credit |
| Construction Inspection Fees | $1,500 x months of construction | $22,500 | Cash |
| Construction Defect | 2.50% of hard costs and site work | $128,061 | Letter of Credit |
| **Reserves** | | | |
| Operating Expense Reserve | 10% of Gross Rental Income (held for 2 yrs) | $47,755 | Cash |
| Rent-up Reserve | 15% of first years Annual Gross Income | $72,086 | Letter of Credit |
| Marketing Reserve | 10% of first years Gross Rental Income | $47,755 | Letter of Credit |
| Annual Replacement Reserve Deposits | $350 per unit | $20,650 | Operations |

# Sources and Uses Moore Village at Wildhorse

## SOURCES:

| *Name of Lender / Source* | Amount | Percent of Total | $ per unit |
|---|---|---|---|
| CalHFA First Mortgage | 2,950,000 | 31% | 50,000 |
| City of Davis Loan(s) | 3,300,000 | 35% | 55,932 |
| Other Loans (FHLB/AHP) | 0 | 0% | 0 |
| Deferred Dev. Fee | 0 | 0% | 0 |
| **Total Institutional Financing** | **6,250,000** | | **105,932** |
| | | | |
| ***Equity Financing*** | | | |
| City Land Contribution | 539,000 | 6% | 9,136 |
| Tax Credits | 2,607,299 | 28% | 44,192 |
| **Total Equity Financing** | **3,146,299** | | **53,327** |
| | | | |
| **TOTAL SOURCES** | **9,396,299** | 100% | **159,259** |

## USES:

| | | | |
|---|---|---|---|
| Acquisition | 639,000 | 6.80% | 10,831 |
| New Construction | 5,775,381 | 61.46% | 97,888 |
| Architectual Fees | 310,000 | 3.30% | 5,254 |
| Survey and Engineering | 6,000 | 0.06% | 102 |
| Const. Loan Interest & Fees | 350,500 | 3.73% | 5,941 |
| Permanent Financing | 206,663 | 2.20% | 3,503 |
| Legal Fees | 65,000 | 0.69% | 1,102 |
| Reserves | 72,755 | 0.77% | 1,233 |
| Contract Costs | 13,000 | 0.14% | 220 |
| Construction Contingency | 450,000 | 4.79% | 7,627 |
| Local Fees | 880,000 | 9.37% | 14,915 |
| TCAC/Other Costs | 60,500 | 0.64% | 1,025 |
| | | | |
| **PROJECT COSTS** | **8,828,799** | **94%** | **149,641** |
| | | | |
| Developer Overhead/Profit | 262,500 | 2.79% | 4,449 |
| Consultant | 305,000 | 3.25% | 5,169 |
| | | | |
| **TOTAL USES** | **9,396,299** | 100.00% | **159,259** |

# Annual Operating Budget — Moore Village at Wildhorse

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 477,552 | 8,094 |
| Laundry | 2,039 | 35 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **479,591** | **8,129** |
| **Less:** | | |
| Vacancy Loss | 24,029 | 407 |
| **Total Net Revenue** | **455,562** | **7,721** |
| **EXPENSES:** | | |
| Payroll | 70,300 | 1,192 |
| Administrative | 44,520 | 755 |
| Utilities | 28,900 | 490 |
| Operating and Maintenance | 38,800 | 658 |
| Insurance and Business Taxes | 24,850 | 421 |
| Taxes and Assessments | 9,000 | 153 |
| Reserve for Replacement Deposits | 20,650 | 350 |
| **Subtotal Operating Expenses** | **237,020** | **4,017** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 198,782 | 3,369 |
| **Total Financial** | **198,782** | **3,369** |
| **Total Project Expenses** | **435,802** | **7,386** |

| **Cash Flow** | **Moore Village at Wildhorse** | | | **CalHFA 01-046-N** | | | |
|---|---|---|---|---|---|---|---|
| **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 | 477,552 | 489,491 | 501,728 | 514,271 | 527,128 | 540,306 | 553,814 |
| **TOTAL RENTAL INCOME** | **477,552** | **489,491** | **501,728** | **514,271** | **527,128** | **540,306** | **553,814** |
| | | | | | | | |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 3,024 | 3,100 | 3,177 | 3,257 | 3,338 | 3,421 | 3,507 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **3,024** | **3,100** | **3,177** | **3,257** | **3,338** | **3,421** | **3,507** |
| | | | | | | | |
| **GROSS INCOME** | **480,576** | **492,590** | **504,905** | **517,528** | **530,466** | **543,728** | **557,321** |
| | | | | | | | |
| *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 | 24,029 | 24,630 | 25,245 | 25,876 | 26,523 | 27,186 | 27,866 |
| **EFFECTIVE GROSS INCOME** | **456,547** | **467,961** | **479,660** | **491,651** | **503,943** | **516,541** | **529,455** |
| | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 207,370 | 215,665 | 224,291 | 233,263 | 242,594 | 252,297 | 262,389 |
| Replacement Reserve | 20,650 | 20,650 | 20,650 | 20,650 | 20,650 | 21,683 | 21,683 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 9,000 | 9,180 | 9,364 | 9,551 | 9,742 | 9,937 | 10,135 |
| **TOTAL EXPENSES** | **237,020** | **245,495** | **254,305** | **263,464** | **272,985** | **283,917** | **294,207** |
| | | | | | | | |
| **NET OPERATING INCOME** | **219,527** | **222,466** | **225,355** | **228,187** | **230,957** | **232,625** | **235,248** |
| | | | | | | | |
| **DEBT SERVICE** | | | | | | | |
| CHFA - 1st Mortgage | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 |
| CHFA - Bridge Loan | 1,031,231 | 1,031,231 | 0 | 0 | 0 | | |
| | | | | | | | |
| **CASH FLOW after debt service** | **20,745** | **23,684** | **26,573** | **29,406** | **32,175** | **33,843** | **36,466** |
| **DEBT COVERAGE RATIO** | **1.10** | **1.12** | **1.13** | **1.15** | **1.16** | **1.17** | **1.18** |

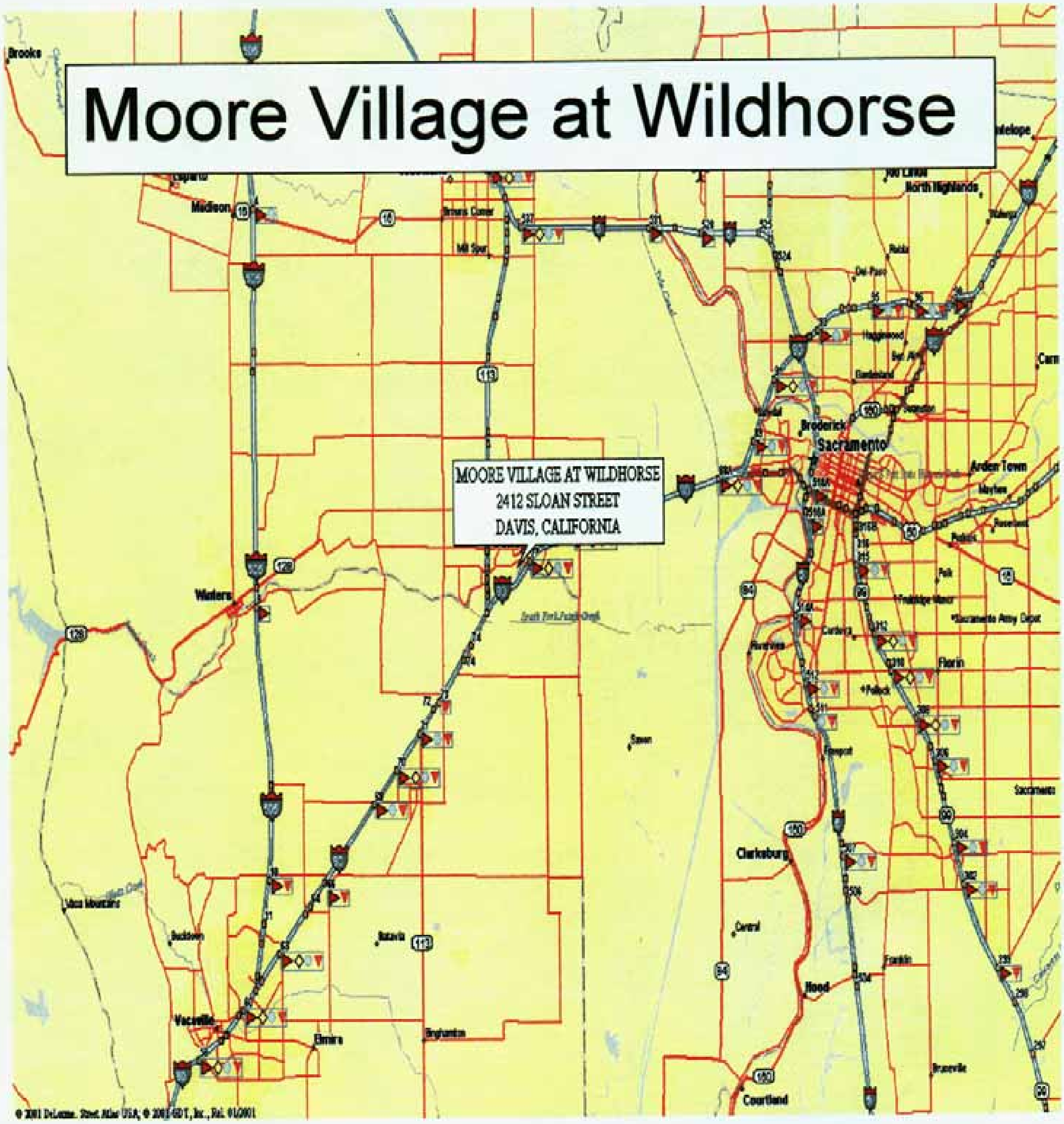
## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Ye |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2.* |
| Affordable Rents | 611,307 | 626,590 | 642,254 | 658,311 | 674,768 | 691,638 | 708,929 | 726 |
| **TOTAL RENTAL INCOME** | **611,307** | **626,590** | **642,254** | **658,311** | **674,768** | **691,638** | **708,929** | **726** |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.* |
| Laundry | 3,871 | 3,968 | 4,067 | 4,169 | 4,273 | 4,380 | 4,489 | 4 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **3,871** | **3,968** | **4,067** | **4,169** | **4,273** | **4,380** | **4,489** | **4** |
| **GROSS INCOME** | **615,178** | **630,557** | **646,321** | **662,479** | **679,041** | **696,017** | **713,418** | **731** |
| *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%* | *5.* |
| Less: Vacancy Loss | 30,759 | 31,528 | 32,316 | 33,124 | 33,952 | 34,801 | 35,671 | 36 |
| **EFFECTIVE GROSS INCOME** | **584,419** | **599,029** | **614,005** | **629,355** | **645,089** | **661,216** | **677,747** | **694** |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.* |
| Expenses | 306,958 | 319,237 | 332,006 | 345,286 | 359,098 | 373,462 | 388,400 | 403 |
| Replacement Reserve | 22,767 | 22,767 | 22,767 | 22,767 | 22,767 | 23,905 | 23,905 | 23 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.* |
| Taxes and Assessments | 10,971 | 11,190 | 11,414 | 11,642 | 11,875 | 12,113 | 12,355 | 12 |
| **TOTAL EXPENSES** | **340,696** | **353,194** | **366,187** | **379,695** | **393,740** | **409,479** | **424,660** | **440** |
| **NET OPERATING INCOME** | **243,723** | **245,836** | **247,818** | **249,660** | **251,350** | **251,737** | **253,087** | **254** |
| **DEBT SERVICE** | | | | | | | | |
| CHFA - 1st Mortgage | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 | 198 |
| CHFA - Bridge Loan | | | | | | | | |
| **CASH FLOW after debt service** | **44,941** | **47,054** | **49,036** | **50,878** | **52,568** | **52,955** | **54,305** | **55** |
| **DEBT COVERAGE RATIO** | **1.23** | **1.24** | **1.25** | **1.26** | **1.26** | **1.27** | **1.27** | |

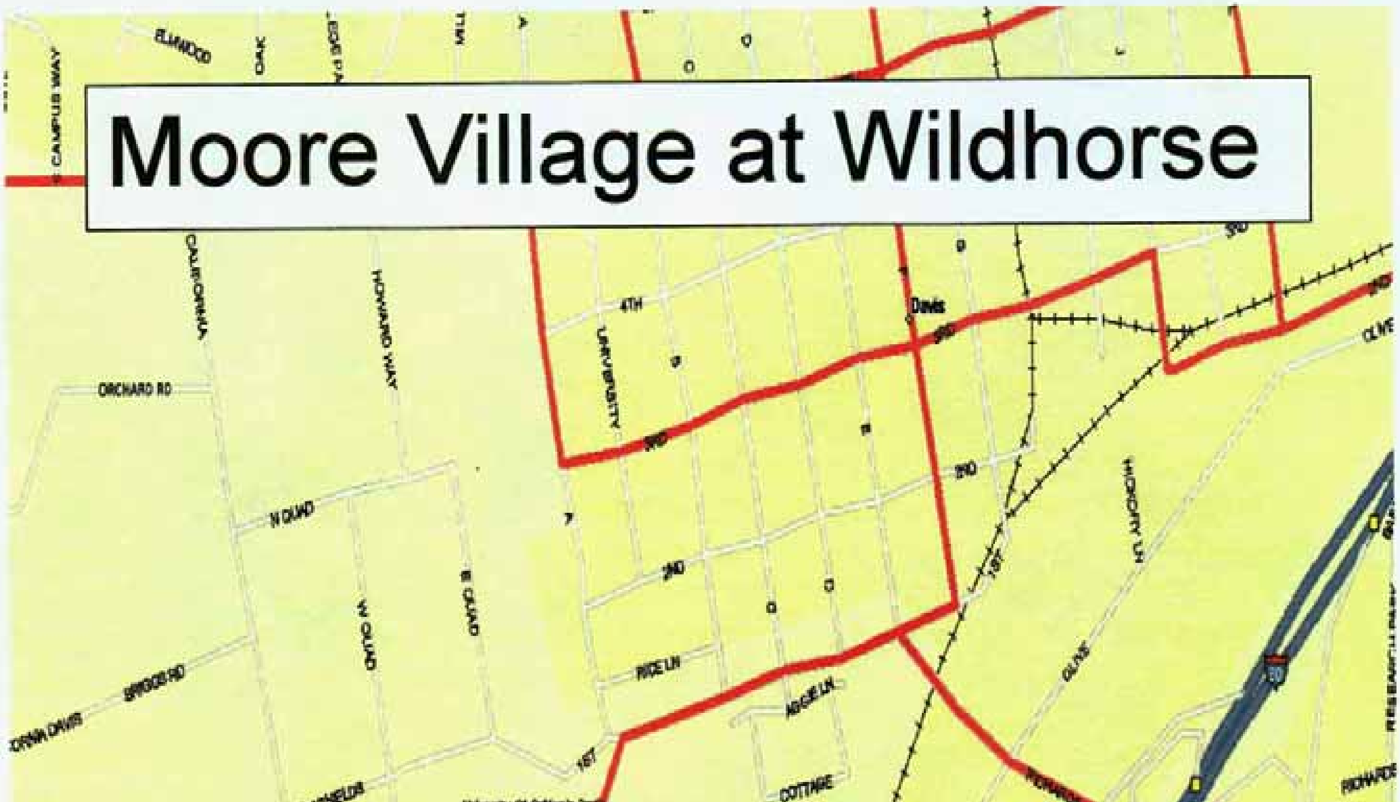
## Cash Flow

| 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 | 782,525 | 802,088 | 822,140 | 842,693 | 863,761 | 885,355 | 907,489 |
| **TOTAL RENTAL INCOME** | **782,525** | **802,088** | **822,140** | **842,693** | **863,761** | **885,355** | **907,489** |
| | | | | | | | |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 4,955 | 5,079 | 5,206 | 5,336 | 5,470 | 5,606 | 5,746 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **4,955** | **5,079** | **5,206** | **5,336** | **5,470** | **5,606** | **5,746** |
| | | | | | | | |
| **GROSS INCOME** | **787,480** | **807,167** | **827,346** | **848,030** | **869,230** | **890,961** | **913,235** |
| | | | | | | | |
| *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 | 39,374 | 40,358 | 41,367 | 42,401 | 43,462 | 44,548 | 45,662 |
| **EFFECTIVE GROSS INCOME** | **748,106** | **766,808** | **785,979** | **805,628** | **825,769** | **846,413** | **867,573** |
| | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 454,373 | 472,548 | 491,450 | 511,108 | 531,552 | 552,814 | 574,927 |
| Replacement Reserve | 25,100 | 25,100 | 25,100 | 25,100 | 25,100 | 26,355 | 26,355 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 13,374 | 13,641 | 13,914 | 14,192 | 14,476 | 14,765 | 15,061 |
| **TOTAL EXPENSES** | **492,847** | **511,289** | **530,464** | **550,400** | **571,129** | **593,935** | **616,343** |
| | | | | | | | |
| **NET OPERATING INCOME** | **255,259** | **255,519** | **255,515** | **255,228** | **254,640** | **252,478** | **251,230** |
| | | | | | | | |
| **DEBT SERVICE** | | | | | | | |
| CHFA - 1st Mortgage | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 | 198,782 |
| CHFA - Bridge Loan | | | | | | | |
| | | | | | | | |
| **CASH FLOW after debt service** | **56,477** | **56,737** | **56,733** | **56,446** | **55,858** | **53,696** | **52,448** |
| **DEBT COVERAGE RATIO** | **1.28** | **1.29** | **1.29** | **1.28** | **1.28** | **1.27** | **1.26** |

THIS PAGE
INTENTIONALLY
LEFT BLANK


Moore Village at Wildhorse
MOORE VILLAGE AT WILDHORSE
2412 SLOAN STREET
DAVIS, CALIFORNIA
Sacramento
Winters
Vacaville
Clarksburg
Courtland
Hood
Brooks
Madison
Broderick
Arden Town
Florin
Elmira
Batavia
Franklin
North Highlands

THIS PAGE INTENTIONALLY LEFT BLANK


Moore Village at Wildhorse
MOORE VILLAGE AT WILDHORSE
2412 SLOAN STREET
DAVIS, CALIFORNIA
CAMPUS WAY
CALIFORNIA
HOWARD WAY
UNIVERSITY
ORCHARD RD
N QUAD
W QUAD
E QUAD
4TH
3RD
2ND
RICE LN
AGGIE LN
COTTAGE
Davis
HICKORY LN
OLIVE
RICHARDS
COWELL
CHILES RD
RESEARCH PARK
NEWTON
DA VINCI
HAMEL LN
TESLER
ARTIS LN
GALILEO
SOLANO PARK
OLD DAVIS RD
ARBORETUM
GARROD
PETER J SHIELDS
BRIGGS RD
HUTCHISON
SICILIETTI WAY
University Of California-Davis
© 2001 DeLorme. Street Atlas USA; © 2001 GDT, Inc., Rel. 01/2001

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-14

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Davis Mutual Housing Association, a 501(c)(3) not-for-profit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 59-unit multifamily housing development located in the City of Davis to be known as Moore Village at Wildhorse (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 5, 2003 (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 March 5, 2003, 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 CalHFA Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 01-046-N | Moore Village at Wildhorse<br>Davis/Yolo | 59 | First Mortgage: $2,950,000<br>Bridge Loan: $1,945,000 |

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

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

I hereby certify that this is a true and correct copy of Resolution 03-14 adopted at a duly constituted meeting of the Board of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ____________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY

**Loan Modification to Final Commitment**
**Skyline Village Apartments**
**CalHFA Ln. # 00-032-S**

**SUMMARY:**

This loan modification request is for a $1,000,000 increase in a tax-exempt first mortgage and a $2,195,000 increase in a tax-exempt Loan to Lender.

Skyline Village Apartments is a 73 unit, new construction family project located at 420 South Lucas Avenue, Los Angeles in Los Angeles County. The CalHFA Board of Directors previously approved the project financing at its March 8, 2001, meeting. The increased development cost is due to construction cost increases from engineering and site design issues.

Attached for additional reference is the March 8, 2001, Board package for Skyline Village.

| **LOAN TERMS:** | **ORIGINAL** | **MODIFIED** |
|---|---|---|
| **First Mortgage Amount:** | $2,750,000 | $3,750,000 |
| Interest Rate: | 6.00% | 5.35% (blended) |
| Term: | 40 yrs, fully amortized | 40 yrs, fully amortized |
| Financing: | Tax-Exempt | Tax-Exempt |
| **Loan to Lender:** | $6,805,000 | $9,000,000 |
| Interest Rate: | 6.00% | 4.70% (blended) |
| Term: | 1 yr, simple interest | 1 yr, simple interest |
| Financing: | Tax-Exempt | Tax-Exempt |

**Interest Rate Calculation:**

The modified interest rate is a blending of current CalHFA rates and the rates associated with the bonds issued under the original approval. The project has benefited from its original bond issue achieving a lower than expected interest rate and the savings being passed along to all the projects in that bond issue.

**REASON FOR LOAN INCREASE:**

Since the previous commitment, the project has experienced delays and an increase in its construction costs. The project, which will have a subterranean garage, has experienced increased costs from garage walls that will act as retaining walls. This is a prevailing wage project and the borrower has had difficulty in obtaining construction bids for the project. With the upturn in the Los Angeles construction market there were fewer contractors willing to take on a prevailing wage project of this size. When the general contractor went to bid, several trade categories received no bids at all from the subcontractors and the bids that were received were substantially higher than expected.

The project developer, Thomas Safran and Associates, commented the increased costs were based on the following:

- "Shoring/Retaining Wall – The subterranean design was modified pursuant to requested changes from the City. The depth, amount of shoring, thickness and water proofing upgrades were quite significant and added substantially because of the concrete/masonry issues defined below."

- "18% increase in concrete & masonry in the last year alone. Given that this has a subterranean garage and so much concrete, this had a significant effect on the budget."

- "15% increase in Drywall over the past year."

- "Seismic and Fire code modifications which have affected the overall design and added substantial cost."

- "Lumber, Transportation and Oil costs all increased due to the economy and the energy crisis."

Alpha Construction Company has explained cost increases over the last eighteen months as follows:

- "The preliminary budget was based on conceptual amounts interpolated from actual costs of previously completed projects with a cost of living increase assumed at 6% per year."

- "Construction costs have increased dramatically over the past 1½ years because of the tremendous demand for market rate housing due to the low interest rates. This has also resulted in a shortage of subcontractors that are willing to work on prevailing wage projects."

- "Insurance costs have increased substantially and many insurance companies are no longer writing liability insurance for residential projects. This also further reduces the number of subcontractors that are able to work on apartments, thereby reducing the availability of competitive bids."

- "The material costs of concrete, reinforcing steel, masonry and drywall have increased substantially more than could have been reasonably anticipated."

- "Recent code changes have greatly increased costs in the rough framing, concrete, HVAC and fire protection trades."

**LOCALITY/OTHER INVOLVEMENT:**

The project has received a $4,056,342 residual receipt, MHP loan for fifty-five years at 3.00%.

The project has received a $2,872,460 residual receipt loan from the Los Angeles Housing Department (LAHD). The loan was increased from its original amount of $1,836, 471 to cover the increased costs. The loan term is for 40 years at 5% interest.

The project has applied and received an AHP grant of $292,000 to offset the increased costs.

The project has applied and received a $566,000 grant from the City of Industry to offset the cost increase.

**PROJECT FEASIBILITY:**

**Rent Differentials (Market vs. Restricted)**

| Rent Level | Subject Rent | Market Rate Avg. | Difference | % of Market |
|---|---|---|---|---|
| **One Bedroom** | | $750 | | |
| 35% | $362 | | $388 | 48% |
| 60% | $583 | | $167 | 78% |
| | | | | |
| **Two Bedroom** | | $1,150 | | |
| 35% | $433 | | $717 | 38% |
| 60% | $698 | | $452 | 61% |
| | | | | |
| **Three Bedroom** | | $1,300 | | |
| 35% | $495 | | $805 | 38% |
| 60% | $738 | | $562 | 57% |
| | | | | |
| **Four Bedroom** | | $1,500 | | |
| 35% | $801 | | $699 | 53% |
| 60% | $885 | | $615 | 59% |

An updated Market Study dated August 19, 2002, was received which demonstrated continued strong demand for the project and an increase in area market rents. The study estimated within a one mile radius annual demand from existing rental households for the proposed project at 5,865 households and an expected 359 new renter households moving into the area in 2002 and 2003. The market rents from the updated market study and the 2002 maximum income rents are used in the rent differential chart above.

**Estimated Lease-Up Period:**

Absorption is expected three months after completion.

**OCCUPANCY RESTRICTIONS:**

| | |
|---|---|
| CalHFA: | 20% of the units (14) will be restricted to 50% or less of median income. |
| TCAC: | 30% of the units (22) will be restricted to 50% or less of median income.<br>70% of the units (50) will be restricted to 60% or less of median income. |
| MHP: | 30% of the units (22) will be restricted to 35% or less of median income.<br>70% of the units (50) will be restricted to 60% or less of median income. |
| LAHD: | 30% of the units (22) will be restricted to 35% or less of median income.<br>18% of the units (13) will be restricted to 60% or less of median income. |
| AHP: | 20% of the units (14) will be restricted to 50% or less of median income. |
| Industry: | 20% of the units (14) will be restricted to 50% or less of median income. |

**PROJECT STATUS:**

A new appraisal dated December 23, 2002, prepared by Cressner and Associates was received and its valuations are reflected in the Project Summary's loan to value ratios.

The project has received hard construction costs after bidding out the project. The borrower has applied to first round 2003 CDLAC and has submitted its application to TCAC for its increase in tax-exempt allocation and tax credits. The construction lender is Bank of America.

Relocation of existing tenants and demolition of the previous structures has now been completed.

A condition under the original approval required remediation due to oil/fuel contamination, from an offsite source, in accordance with the Phase 1 report. Some remediation has begun on the property and some testing wells are now sealed. A condition of the final commitment will require all findings and recommendations, be reviewed and accepted by the Agency and require satisfactory evidence that the remediation is completed in compliance with the law.

# Project Summary

Date: 5-Mar-03

## Project Profile:

| | | | |
|---|---|---|---|
| *Project:* | Skyline Village | | |
| *Location:* | 1321-1339 Maryland Street | | |
| | Los Angeles 90017 | *Cap Rate:* | 8.00% |
| *County:* | Los Angeles | *Market:* | $8,300,000 |
| *Borrower:* | Skyline Village L.P. | *Income:* | $8,200,000 |
| *GP:* | Housing Corp of America | *Final Value:* | $8,200,000 |
| *GP:* | Thomas Safran and Associates | | |
| *LP:* | Alliant | ***LTC/LTV:*** | |
| *Program:* | Tax-Exempt | *Loan/Cost* | 21.6% |
| *CalHFA #:* | 00-032-S | *Loan/Value* | 45.7% |

## Project Description:

| | |
|---|---|
| *Units* | 73 |
| *Handicap Units* | 4 |
| *Bldge Type* | New Const. |
| *Buildings* | 11 |
| *Stories* | 2 & 3 |
| *Gross Sq Ft* | 107,378 |
| *Land Sq Ft* | 72,745 |
| *Units/Acre* | 44 |
| *Total Parking* | 101 |
| *Covered Parking* | 101 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $3,750,000 | $51,370 | 5.35% | 40 |
| CalHFA HAT | $0 | $0 | 0.00% | - |
| CalHFA Loan to Lender | $9,000,000 | $123,288 | 4.70% | 2 |
| HCD MHP | $4,056,342 | $55,566 | 3.00% | 55 |
| LA Housing Dept | $2,872,460 | $39,349 | 5.00% | 40 |
| City of Industry | $566,000 | $7,753 | 3.00% | 40 |
| AHP | $292,000 | $4,000 | 0.00% | - |
| Contributions From Operations | $0 | $0 | | - |
| G.P. Equity Contribution | $0 | $0 | | - |
| Deferred Developer Equity | $634,172 | $8,687 | | - |
| Tax Credit Equity | $5,197,970 | $71,205 | | |
| CalHFA Bridge | $0 | $0 | 0.00% | - |
| CalHFA HAT | $0 | $0 | 0.00% | - |

## Unit Mix:

| Type | Manager | | 35% AMI/SMI | | 50% AMI | | 60% AMI | | Market | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent | number | rent* | number | rent* | number | rent* | number | rent* | |
| 1 bedroom | | | 4 | 362 | 0 | 0 | 6 | 583 | 0 | 0 | 10 |
| 2 bedroom | | | 12 | 433 | 0 | 0 | 24 | 698 | 0 | 0 | 36 |
| 3 bedroom | 1 | 801 | 5 | 495 | 0 | 0 | 17 | 801 | 0 | 0 | 23 |
| 4 bedroom | | | 1 | 544 | 0 | 0 | 3 | 885 | 0 | 0 | 4 |
| **subtotal** | 1 | | 22 | | 0 | | 50 | | 0 | | |
| | | | * net rent | | | | | | | | 73 |

## Fees, Escrows, and Reserves:

| Fees | Basis of Requirements | Amount | Security |
|---|---|---|---|
| Loan Fees | 1.00% of L to L Amount | $90,000 | Cash |
| | 0.50% of First Mortgage | $18,750 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of L to L Amount | $90,000 | Letter of Credit |
| Inspection fee | $1,500 x months of construction | $18,000 | Cash |
| Construction Defect | 2.50% of Hard Costs | $207,500 | Letter of Credit |
| **Reserves** | | | |
| Rent Up Reserve | 15.00% of Gross Income | $85,626 | Letter of Credit |
| Marketing | 10.00% of Gross Income | $57,084 | Letter of Credit |
| Operating Expense Reserve | 10.00% of Gross Income | $57,084 | Cash |
| Annual Replacement Reserve Deposit | $350 per unit | $25,550 | Operations |

# Sources and Uses

## Skyline Village

### SOURCES:

| *Name of Lender / Source* | Amount | $ Per Unit | % of Total |
|---|---|---|---|
| CalHFA First Mortgage | 3,750,000 | 51,370 | 21.6% |
| CalHFA Bridge | 0 | 0 | 0.0% |
| CalHFA HAT | 0 | 0 | 0.0% |
| CalHFA Loan to Lender | 9,000,000 | 123,288 | 51.8% |
| HCD MHP | 4,056,342 | 55,566 | 23.4% |
| Other Loans | 3,730,460 | 51,102 | 21.5% |
| **Total Institutional Financing** | **11,536,802** | **158,038** | **66.4%** |
| | | | |
| ***Equity Financing*** | | | |
| Tax Credits | 5,197,970 | 71,205 | 29.9% |
| G.P. Equity Contribution | 0 | 0 | 0.0% |
| Deferred Developer Equity | 634,172 | 8,687 | 3.7% |
| **Total Equity Financing** | **5,832,142** | **79,892** | **33.6%** |
| | | | |
| **TOTAL SOURCES** | **17,368,944** | **237,931** | **100.0%** |

### USES:

| | | | |
|---|---|---|---|
| Acquisition | 2,111,000 | 28,918 | 12.2% |
| Rehabilitation | 0 | 0 | 0.0% |
| New Construction | 10,326,268 | 141,456 | 59.5% |
| Architectual Fees | 375,000 | 5,137 | 2.2% |
| Survey and Engineering | 267,208 | 3,660 | 1.5% |
| Const. Loan Interest & Fees | 924,311 | 12,662 | 5.3% |
| Permanent Financing | 124,250 | 1,702 | 0.7% |
| Legal Fees | 80,000 | 1,096 | 0.5% |
| Reserves | 60,684 | 831 | 0.3% |
| Contract Costs | 14,000 | 192 | 0.1% |
| Construction Contingency | 651,063 | 8,919 | 3.7% |
| Local Permit Fees | 168,900 | 2,314 | 1.0% |
| TCAC Fees/Costs | 64,584 | 885 | 0.4% |
| Impact Fees/Other Costs | 926,676 | 12,694 | 5.3% |
| **PROJECT COSTS** | **16,093,944** | **220,465** | **92.7%** |
| | | | |
| Developer Overhead/Profit | 1,200,000 | 16,438 | 6.9% |
| Consultant/Processing Agent | 75,000 | 1,027 | 0.4% |
| | | | |
| **TOTAL USES** | **17,368,944** | **237,931** | **100.0%** |

# Annual Operating Budget

Skyline Village

| | | $ Per Unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 563,832 | 7,724 |
| Laundry | 7,008 | 96 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **570,840** | **7,820** |
| **Less:** | | |
| Vacancy Loss | 28,542 | 391 |
| **Total Net Revenue** | **542,298** | **7,429** |
| **EXPENSES:** | | |
| Payroll | 75,142 | 1,029 |
| Administrative | 54,088 | 741 |
| Utilities | 49,500 | 678 |
| Operating and Maintenance | 33,570 | 460 |
| Insurance and Business Taxes | 30,200 | 414 |
| Taxes and Assessments | 5,000 | 68 |
| Reserve for Replacement Deposits | 25,550 | 350 |
| **Subtotal Operating Expenses** | **273,050** | **3,740** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 227,522 | 3,117 |
| **Total Financial** | **227,522** | **3,117** |
| **Total Project Expenses** | **500,572** | **6,857** |

## Cash Flow — Skyline Village — CalHFA Development Number

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Y |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2* |
| Affordable Rents | 563,832 | 577,928 | 592,376 | 607,185 | 622,365 | 637,924 | 653,872 | 670 |
| **TOTAL RENTAL INCOME** | **563,832** | **577,928** | **592,376** | **607,185** | **622,365** | **637,924** | **653,872** | **670** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2* |
| Laundry | 7,008 | 7,183 | 7,363 | 7,547 | 7,736 | 7,929 | 8,127 | 8 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **7,008** | **7,183** | **7,363** | **7,547** | **7,736** | **7,929** | **8,127** | **8** |
| | | | | | | | | |
| **GROSS INCOME** | **570,840** | **585,111** | **599,739** | **614,732** | **630,101** | **645,853** | **661,999** | **678** |
| | | | | | | | | |
| *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%* | *5* |
| Less: Vacancy Loss | 28,542 | 29,256 | 29,987 | 30,737 | 31,505 | 32,293 | 33,100 | 33 |
| **EFFECTIVE GROSS INCOME** | **542,298** | **555,855** | **569,752** | **583,996** | **598,596** | **613,560** | **628,899** | **644** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4* |
| Expenses | 245,000 | 254,800 | 264,992 | 275,592 | 286,615 | 298,080 | 310,003 | 322 |
| Replacement Reserve | 25,550 | 25,550 | 25,550 | 25,550 | 25,550 | 26,828 | 26,828 | 26 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2* |
| Taxes and Assessments | 2,500 | 2,550 | 2,601 | 2,653 | 2,706 | 2,760 | 2,815 | 2 |
| **TOTAL EXPENSES** | **273,050** | **282,900** | **293,143** | **303,795** | **314,871** | **327,668** | **339,646** | **352** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **269,248** | **272,955** | **276,609** | **280,201** | **283,724** | **285,893** | **289,253** | **292** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227 |
| CalHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | | | |
| MHP Administration Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17 |
| | | | | | | | | |
| **CASH FLOW after debt service** | **24,689** | **28,397** | **32,050** | **35,642** | **39,165** | **41,334** | **44,695** | **47** |
| **DEBT COVERAGE RATIO** | **1.10** | **1.12** | **1.13** | **1.15** | **1.16** | **1.17** | **1.18** | |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Yea |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2.* |
| Affordable Rents | 721,753 | 739,796 | 758,291 | 777,249 | 796,680 | 816,597 | 837,012 | 857, |
| **TOTAL RENTAL INCOME** | **721,753** | **739,796** | **758,291** | **777,249** | **796,680** | **816,597** | **837,012** | **857,** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.* |
| Laundry | 8,971 | 9,195 | 9,425 | 9,661 | 9,902 | 10,150 | 10,403 | 10, |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **8,971** | **9,195** | **9,425** | **9,661** | **9,902** | **10,150** | **10,403** | **10,** |
| | | | | | | | | |
| **GROSS INCOME** | **730,723** | **748,992** | **767,716** | **786,909** | **806,582** | **826,747** | **847,415** | **868,** |
| | | | | | | | | |
| *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%* | *5.* |
| Less: Vacancy Loss | 36,536 | 37,450 | 38,386 | 39,345 | 40,329 | 41,337 | 42,371 | 43, |
| **EFFECTIVE GROSS INCOME** | **694,187** | **711,542** | **729,331** | **747,564** | **766,253** | **785,409** | **805,044** | **825,** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.* |
| Expenses | 362,660 | 377,166 | 392,253 | 407,943 | 424,261 | 441,231 | 458,880 | 477, |
| Replacement Reserve | 28,169 | 28,169 | 28,169 | 28,169 | 28,169 | 29,577 | 29,577 | 29, |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.* |
| Taxes and Assessments | 3,047 | 3,108 | 3,171 | 3,234 | 3,299 | 3,365 | 3,432 | 3, |
| **TOTAL EXPENSES** | **393,876** | **408,444** | **423,592** | **439,346** | **455,728** | **474,173** | **491,890** | **510,** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **300,311** | **303,098** | **305,738** | **308,218** | **310,525** | **311,236** | **313,155** | **314,** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227, |
| CalHFA - Bridge Loan | | | | | | | | |
| MHP Administration Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17, |
| | | | | | | | | |
| **CASH FLOW after debt service** | **55,752** | **75,577** | **78,216** | **80,696** | **83,003** | **83,714** | **85,633** | **87,** |
| **DEBT COVERAGE RATIO** | **1.23** | **1.24** | **1.25** | **1.26** | **1.27** | **1.27** | **1.28** | |

## 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 | 923,904 | 947,002 | 970,677 | 994,944 | 1,019,818 | 1,045,313 | 1,071,446 |
| **TOTAL RENTAL INCOME** | **923,904** | **947,002** | **970,677** | **994,944** | **1,019,818** | **1,045,313** | **1,071,446** |
| | | | | | | | |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 11,483 | 11,771 | 12,065 | 12,366 | 12,676 | 12,992 | 13,317 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **11,483** | **11,771** | **12,065** | **12,366** | **12,676** | **12,992** | **13,317** |
| | | | | | | | |
| **GROSS INCOME** | **935,388** | **958,773** | **982,742** | **1,007,310** | **1,032,493** | **1,058,305** | **1,084,763** |
| | | | | | | | |
| *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 | 46,769 | 47,939 | 49,137 | 50,366 | 51,625 | 52,915 | 54,238 |
| **EFFECTIVE GROSS INCOME** | **888,618** | **910,834** | **933,605** | **956,945** | **980,868** | **1,005,390** | **1,030,525** |
| | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 536,825 | 558,298 | 580,630 | 603,855 | 628,010 | 653,130 | 679,255 |
| Replacement Reserve | 31,056 | 31,056 | 31,056 | 31,056 | 31,056 | 32,609 | 32,609 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 3,715 | 3,789 | 3,865 | 3,942 | 4,021 | 4,102 | 4,184 |
| **TOTAL EXPENSES** | **571,596** | **593,144** | **615,551** | **638,854** | **663,087** | **689,840** | **716,048** |
| | | | | | | | |
| **NET OPERATING INCOME** | **317,022** | **317,690** | **318,053** | **318,091** | **317,782** | **315,550** | **314,477** |
| | | | | | | | |
| **DEBT SERVICE** | | | | | | | |
| CalHFA - 1st Mortgage | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 |
| CalHFA - Bridge Loan | | | | | | | |
| MHP Administration Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 |
| | | | | | | | |
| **CASH FLOW after debt service** | **89,501** | **90,169** | **90,532** | **90,569** | **90,260** | **88,028** | **86,956** |
| **DEBT COVERAGE RATIO** | **1.30** | **1.30** | **1.30** | **1.30** | **1.30** | **1.29** | **1.29** |

## Cash Flow

| RENTAL INCOME | Year 31 | Year 32 | Year 33 | Year 34 | Year 35 | Year 36 | Year 37 | Yea |
|---|---|---|---|---|---|---|---|---|
| *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%* | *2.5* |
| Affordable Rents | 1,182,676 | 1,212,243 | 1,242,549 | 1,273,612 | 1,305,453 | 1,338,089 | 1,371,541 | 1,405, |
| **TOTAL RENTAL INCOME** | **1,182,676** | **1,212,243** | **1,242,549** | **1,273,612** | **1,305,453** | **1,338,089** | **1,371,541** | **1,405,** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.5* |
| Laundry | 14,700 | 15,067 | 15,444 | 15,830 | 16,226 | 16,631 | 17,047 | 17, |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **14,700** | **15,067** | **15,444** | **15,830** | **16,226** | **16,631** | **17,047** | **17,** |
| | | | | | | | | |
| **GROSS INCOME** | **1,197,375** | **1,227,310** | **1,257,993** | **1,289,442** | **1,321,678** | **1,354,720** | **1,388,588** | **1,423,** |
| | | | | | | | | |
| *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%* | *5.* |
| Less: Vacancy Loss | 59,869 | 61,365 | 62,900 | 64,472 | 66,084 | 67,736 | 69,429 | 71, |
| **EFFECTIVE GROSS INCOME** | **1,137,507** | **1,165,944** | **1,195,093** | **1,224,970** | **1,255,595** | **1,286,984** | **1,319,159** | **1,352,** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.* |
| Expenses | 794,632 | 826,418 | 859,474 | 893,853 | 929,608 | 966,792 | 1,005,463 | 1,045, |
| Replacement Reserve | 34,239 | 34,239 | 34,239 | 34,239 | 34,239 | 35,951 | 35,951 | 35, |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.* |
| Taxes and Assessments | 4,528 | 4,619 | 4,711 | 4,806 | 4,902 | 5,000 | 5,100 | 5, |
| **TOTAL EXPENSES** | **833,400** | **865,276** | **898,425** | **932,898** | **968,749** | **1,007,743** | **1,046,515** | **1,086,** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **304,106** | **300,668** | **296,668** | **292,072** | **286,846** | **279,241** | **272,644** | **265,** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227,522 | 227, |
| CalHFA - Bridge Loan | | | | | | | | |
| MHP Administration Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17, |
| | | | | | | | | |
| **CASH FLOW after debt service** | **76,585** | **73,147** | **69,146** | **64,550** | **59,324** | **51,720** | **45,123** | **37,** |
| **DEBT COVERAGE RATIO** | **1.24** | **1.23** | **1.21** | **1.19** | **1.17** | **1.14** | **1.11** | **1** |

THIS PAGE
INTENTIONALLY
LEFT BLANK

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Skyline Village
## CHFA # 00-032-S

## SUMMARY

This is a final commitment request for a loan funding to Bank of America, under the California Housing Finance Agency ("CHFA" or "Agency") Loan to Lender Program, in the amount of Six Million Eight Hundred Five Thousand Dollars ($6,805,000) and; a first mortgage permanent (take-out) loan in the amount of Two Million Seven Hundred Fifty Thousand Dollars ($2,750,000). The permanent loan will be funded from repayment proceeds of the construction loan. The 4.2% Loan to Lender interest rate is subject to change prior to issuance of bonds. The subject property will consist of seventy-three (73) new construction family apartment units with common area amenities; located at 1321-1339 W Maryland Street, 1324-1336 W 4th Street, and 420-420 1/2 Lucas Street, Los Angeles, Los Angeles County. The borrowing entity will be Skyline Village Limited Partnership, a California limited partnership.

## LOAN TERMS

| | |
|---|---|
| Loan to Lender | $ 6,805,000 |
| Interest Rate | 4.2% |
| Term | Two years |
| Financing | Tax Exempt |
| First Mortgage Loan | $ 2,750,000 |
| Interest Rate | 6.0% |
| Term | 40 year fixed, fully amortized |
| Financing | Tax-Exempt |

## LOCALITY & OTHER INVOLVEMENT

The Los Angeles Housing Department of the City of Los Angeles ("LAHD") has committed $1,836,471 in acquisition/predevelopment/construction and permanent funding. The loan will be funded with HOME Investment Partnership Program ("HOME"), Community Development Block Grant ("CDBG"), Section 108 and/or other non-federal sources. The term of the permanent loan shall be forty (40) years at 5% simple interest. As repayment, LAHD shall receive fifty percent (50%) the project's residual receipts.

The State of California Department of Housing and Community Development ("HCD"), under its Multifamily Housing Program ("MHP") will provide $4,056,342 in permanent funding. An annual administrative fee calculated at 0.42% of the outstanding principal loan balance is payable to HCD.

Equity funding shall be provided through the sale of low-income housing tax credits.

The Developer's financial obligations and regulatory constraints under the above-mentioned fundings and programs, and any other financial and regulatory constraints, shall be junior and subordinate to the California Housing Finance Agency's Regulatory Agreement and Deed of Trust.

## MARKET

### Market Overview

The subject property is situated at the northeast corner of Maryland Street and Lucas Avenue. The subject property is in the Central City West District of the City of Los Angeles. The Central City West area is defined as being bordered by First Street to the north, the Harbor Freeway (110) to the east, 8th Street to the south and Witmer Street to the east. This part of Los Angeles is on the west border of Downtown Los Angeles and is generally considered to be one of the communities that comprise Downtown Los Angeles.

The Westlake residential area borders Central City West to the west, Echo Park residential is the to the north, Bunker Hill and the high rise office building area of Downtown Los Angeles borders Central City West to the east and the Pico Union residential area is to the south.

Lucas and Bixel, which are main north/south streets paralleling the I-110 freeway, afford easy access between 3rd Street to Wilshire and south to Pico Union and the I-10 freeway.

There are two elementary schools immediately adjacent to the site. The new Evelyn Thurman Gratts Elementary School is directly across Lucas, while the other is directly across 4th Street. The site has good freeway proximity; and public transportation and neighborhood shopping are within walking distance.

**Market Demand**

The population of the subject area was 73,627 in 1990 versus 78,303 in 1999, a 6.35 percent increase over the period. The population is projected to be 81,520 in 2004, a 4.11 percent increase. This population trend is comparable to what the City of Los Angels is experiencing. The median household income in the area in 1999 was $22,904 versus $38,532 for the City of Los Angeles and $42,953 for the County of Los Angeles. The percent of households with $25,000 or less in income for the subject area was 57.6 percent as compared to 31.5% for the City of Los Angeles and 26.6 percent for the County of Los Angeles.

The subject property is located within a portion of the Westlake Community Plan, a neighborhood revitalization area identified by the City of Los Angeles. This neighborhood is in transition from a run-down area dominated by empty lots, vacant commercial buildings and dilapidated housing stock to a fast improving area of new film studios (east of Bixel) and pockets of rehabilitation and new development south to the I-10 freeway.

**Housing Supply**

This area suffered from increased vacancy and lowered rents in the early 1990s when this region suffered its worst economic recession in history. The economy in this area began to recover in the last three years and this economic recovery has gained momentum in the last two years.

Downtown Los Angeles has had renewed interest due to three major public construction projects. They include the recently opened Staples Center, which is home for the Lakers basketball team, the Kings hockey team and the Clippers basketball team. This new development may attract a new entertainment retail project; a new convention center hotel and recently plans have been announced to further expand the convention center. The Disney Hall and the Catholic Cathedral are under construction approximately one mile northeast of the subject.

These new developments have resulted in renewed interest by developers in the Downtown Los Angeles area. The Downtown Los Angeles apartment market has been relatively strong for the last few years and this is expected to attract several new market rent apartments projects over the next few years.

New apartment construction remains very limited. The only new market rent apartment project under construction is 685 units approximately one mile south of the subject. Completion is expected in the next six months. The City of Los Angeles has recently approved preliminary plans for two apartment projects in the Bunker Hill area that is south of the Civic Center area. These projects are expected to total approximately 1,000 units, but will probably not be completed for at least two years.

In the past three years over 1,000 subsidized housing units have been added to the Downtown Los Angeles area. According to a February 2001 survey of 899 restricted units by Cressner and Associates, Inc., vacancy in restricted housing developments in the area is virtually non-existent.

Within a 1-mile radius of the subject property, fifty-nine percent (59%) of the households earn less than $25,000 annually.

## PROJECT FEASIBILITY

Market rate rents for comparable properties average $804 for a one-bedroom unit; $1,052 for a two-bedroom unit; $1,125 for a three-bedroom unit; and $1,192 for a four-bedroom unit.

Projected rents for the subject range from $319 - $541 for a one-bedroom unit; $382 - $649 for a two-bedroom unit; $336 - $749 for a three-bedroom unit; and, $368 - $828 for a four-bedroom unit.

**Rent Differentials (Market versus Restricted)**

| Unit Type | Subject | Market Rate Average | $ Difference | % Market |
|---|---|---|---|---|
| **One Bedroom** | | $ 804 | | |
| 35% | $ 319 | | $ 485 | 40% |
| 60% | $ 541 | | $ 263 | 67% |
| | | | | |
| **Two Bedroom** | | $ 1,052 | | |
| 35% | $ 382 | | $ 670 | 36% |
| 60% | $ 649 | | $ 403 | 62% |
| | | | | |
| **Three Bedroom** | | $ 1,125 | | |
| 35% | $ 336 | | $ 789 | 30% |
| 60% | $ 749 | | $ 376 | 67% |
| | | | | |
| **Four Bedroom** | | $ 1,192 | | |
| 35% | $ 368 | | $ 824 | 31% |
| 60% | $ 828 | | $ 364 | 69% |

## PROJECT DESCRIPTION

### Project Location

### Site

The site is an "L" shaped parcel containing approximately 1.66 acres, with frontage along three streets; 4th Street to the north; Maryland Street to the south; and Lucas to the west. The site down-slopes to the south.

The site is currently improved with twelve buildings containing 37 rental units. Currently one building is considered an unsafe structure and is boarded up. The remaining buildings are part of the area's aging housing stock. The proposed development calls for relocation of existing tenants and demolition of the existing structures. Upon completion of the proposed development, there will be a net gain of 36 apartment units.

### Improvements

The site will be improved with seventy-three units consisting of one, two, three and four-bedroom units. The buildings will consist of three-story construction with two-story townhouses over flats. The units will be contained within twelve buildings – each building will house two to eight units. With the exception of five units at street grade off Maryland, all units will be situated on a concrete deck over a subterranean parking structure. Unit breakdown is ten (10) one-bedroom, one bath (flats); Twenty-two (22) two-bedroom, 1.5 bath (townhouses); Fourteen (14) two-bedroom 2.25 bath (townhouses); twelve (12) three-bedroom; 1.75 bath (flats); ten (10) three-bedroom, 1.75 bath (townhouses); one (1) three-bedroom, 2 bath (flat); and four (4) four-bedroom, 2 bath (townhouses). Each unit will be provided with full carpeting, microwave oven, range, refrigerator, dishwasher, heating and air conditioning, and either a private deck or patio.

At parking level, facing Lucas, will be a 4,450 square foot community room and management offices. The community area will include a large meeting room, kitchen, storage room, a teen room, a TV room, two restrooms and laundry facilities. Common area amenities will include two outdoor play areas, a bar-b-que area, bike storage, a fountain, and a half-court basketball area. Pedestrian access to the development will be from all three streets, while vehicular ingress / egress will be from Maryland, and vehicular egress only from Lucas. On-site parking will be for 101 vehicles

## OCCUPANCY RESTRICTIONS

| | |
|---|---|
| CHFA | 20% of the units (15) will be at 50% or less of AMI |
| LA – LAHD | 10% of the units (8) will be restricted at 50% or less of SMI.<br>90% of the units (65) will be restricted at 60% or less of AMI. |
| HCD – MHP | 30% of the units (22) will be restricted at 35% or less of SMI<br>70% of the units (51) will be restricted at 60% or less of AMI |
| TCAC | 100% of the units will be restricted at 60% or less of AMI |

## ENVIRONMENTAL

A Phase I report prepared by California Environmental dated November 1999 revealed the following conditions: presence of shallow oil/fuel contamination, probably from outside sources; the presence of gasoline product beneath the western portion of the property, most likely from an offsite source, and the presence of seven groundwater monitoring wells on the property.

A further update of sampling of soil and groundwater by California Environmental dated March 2000 indicated isolated products of shallow TPH impacted soil were onsite and the recommendation is to transfer offsite. The cumulative impact associated with the shallow zones is probably less than 25 cubic yards.

The environmental company recommended working in cooperation with the Regional Water Quality Control Board for remediation work to remove the gasoline product from the site and abandonment of the existing onsite wells.

California Environmental prepared an environmental update matrix dated February 5, 2001:

| Environmental Issue | Action Taken | Status |
|---|---|---|
| Shallow (<10') hydrocarbon impacted soil | Impacted soil excavated and treated offsite; excavations backfilled | Agency (RWQCB) no further action pending |

| Environmental Issue | Action Taken | Status |
|---|---|---|
| TPH and metals in groundwater | All wells retested | No further action Action request submittal to RWQCB pending |
| Diesel product in MW1 | Product removal ongoing. Most of product removed. | Continue product removal |

A lead based paint survey and asbestos assessment was conducted by JMR Environmental Services, Inc. dated November 12, 1999. Lead based paint and asbestos was found to be present and the firm recommended that an Operations and Maintenance Plan be implemented and followed until abatement activities are completed.

Satisfactory evidence of remediation of the existing environmental conditions in compliance with the law as well as a requirement for environmental insurance for the life of the CHFA loan and approval by CHFA of all other environmental issues or conditions will be conditions of the CHFA Final Commitment.

## ARTICLE XXXIV

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

## DEVELOPMENT TEAM

### Borrower's Profile

Skyline Village Limited Partnership

Skyline Village Limited Partnership, a California limited partnership will develop, own and operate Skyline Village Apartments. The general partners will be Housing Corporation of America (managing general partner), and Thomas L. Safran, an unmarried man.

Housing Corporation of America ("HCA"), a 501(c)(3) nonprofit corporation was incorporated in 1988. Its mandate is to not only provide affordable housing, but to improve the communities wherein these projects are located and offer residents a sense of dignity and pride associated with an improved standard of living. HCA manages nearly 2,100 units of affordable housing in the states of California, Utah, Colorado, Missouri, and Tennessee.

Thomas L. Safran is sole proprietor of Thomas L. Safran and Associates ("TSA"), a Los Angeles based development organization. The company was established in 1974. Mr. Safran's firm specializes in both family and senior affordable housing developments. TSA has developed over 2,000 units of rental housing in California.

**Contractor**

Alpha Construction Company, Inc.

Alpha Construction Company, Inc., was incorporated under California law in 1965, and has, since that time, successfully produced millions of dollars of construction projects throughout Southern California. The principals, Irv Laxineta and Gerald Hart, have extensive years in the construction industry as general contractors, construction managers, architects and developers.

**Architect**

Withee Malcolm Partnership

Established in 1977, the Withee Malcolm Partnership has grown to become a leading architectural firm in the metropolitan Los Angeles area. Dan Withee and Dale Malcolm have developed an organization that consistently produces outstanding architecture. This award-winning firm has been recognized for their design of numerous projects including residential, commercial, industrial, space planning, master planning, and mixed-use development. They have an excellent reputation in acquiring entitlements for projects considered difficult or impossible in terms of location or proposed use.

**Management Agent**

Brackenhoff Management Group, Inc.

The company founder, Kenneth Brackenhoff, established Brackenhoff Management Group, Inc., in July 1977. Mr. Brackenhoff has over twenty years experience in the affordable housing industry, where he has managed Section 8 assisted, tax credits, and conventional properties. Approaching its third full year of operation BMG manages in excess of 2,000 units for both nonprofit and for profit ownership entities. Properties include Section 8, assisted, FHA insured, tax credit, CHFA, and conventional properties. The BMG principals and staff work closely with owners, city, state and federal government entities that are affiliated with the properties under management.

# Project Summary

**Loan to Lender**

**Date: 20-Feb-01**

## Project Profile:

*Project:* Skyline Village
*Location:* 1321-1339 Maryland St
Los Angeles
*County/Zip:* Los Angeles 90017
*Borrower:* Skyline Village, L.P.
*GP:* Hsg Corp of America / TS&A
*LP:* Union Bank Of California

*Program:* Tax exempt
*CHFA #:* 00-032-S

*Appraiser:* Theodore A. Cressner, Jr.
Cressner & Associates, Inc.
*Cap Rate:* 8.50%
*Market:* $ 6,000,000
*Income:* $ 6,000,000
*Final Value* $ 6,000,000

*LTC/LTV:*
*Loan/Cost* 21.0%
*Loan/Value* 45.8%

## Project Description:

| | |
|---|---|
| *Units* | 73 |
| *Handicap Units* | 4 |
| *Bldg. Type* | New Construction |
| *Buildings* | 11 |
| *Stories* | 2 & 3 |
| *Gross Sq Ft* | 107,378 |
| *Land Sq Ft* | 72,900 |
| *Units/Acre* | 44 |
| *Total Parking* | 101 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CHFA First Mortgage | $2,750,000 * | $37,671 | 6.00% | 40 |
| LA Housing Dept | $1,836,471 | $25,157 | 5.00% | 40 |
| HCD MHP | $4,056,342 | $55,566 | 3.00% | 55 |
| Borrowers Cash Contribution | $0 | $0 | | - |
| Deferrd Developer Equity | $216,561 | $2,967 | | |
| Tax Credit Equity | $4,253,707 | $58,270 | | |
| CHFA Loan to Lender | $6,805,000 | $93,219 | 4.20% | - |
| CHFA HAT | $0 | $0 | 0.00% | - |

* Permanent loan included in Loan to Lender

## Unit Mix:

| Type | Size | Number | AMI / SMI | Rent | Max Income |
|---|---|---|---|---|---|
| 1 BR | 582 | 4 | 35% | $319 | $12,690 |
| 2 BR | 897 | 12 | 35% | $382 | $14,280 |
| 3 BR | 1,122 | 5 | 35% | $336 | $15,870 |
| 4 BR | 1,398 | 1 | 35% | $368 | $23,805 |
| | | | | | |
| 1 BR | 582 | 6 | 60% | $541 | $23,805 |
| 2 BR | 897 | 24 | 60% | $649 | $25,718 |
| 3 BR | 1,122 | 17 | 60% | $749 | $21,150 |
| 4 BR | 1,398 | 3 | 60% | $828 | $23,800 |
| 3 BR | 1,122 | 1 | Manager | $578 | $14,280 |
| | | 73 | | | |

## Fees, Escrows and Reserves:

| Fees, Escrows and Reserves | Basis of Requirements | | Amount | Security |
|---|---|---|---|---|
| Commitment/Loan to Lender | 1.00% | of Loan Amount | $68,050 | Cash |
| Finance Fee-permanent Loan | 1.00% | of Loan Amount | $27,500 | Cash |
| Bond Origination Guarantee | 1.00% | of Loan Amount | $68,050 | Letter of Credit |
| Rent Up Reserve | 15% | of Gross Income | $77,452 | Letter of Credit |
| Operating Expense Reserve | 10% | of Gross Income | $51,635 | Letter of Credit |
| Marketing Reserve | 10% | of Gross Income | $51,635 | Letter of Credit |
| Annual Replacement Reserve Deposit | 0.6% | of Hard Costs | $29,200 | Operations |
| Construction Defects Agreement | 2.5% | Hard Costs/12 months | $143,752 | Letter of Credit |

# Sources and Uses — Skyline Village

## SOURCES:

| *Name of Lender / Source* | Amount | $ per unit |
|---|---|---|
| CHFA First Mortgage | 2,750,000 | 37,671 |
| CHFA HAT | 0 | 0 |
| LA Housing Dept | 1,836,471 | 25,157 |
| HCD MHP | 4,056,342 | 55,566 |
| **Total Institutional Financing** | **8,642,813** | **118,395** |
| | | |
| ***Equity Financing*** | | |
| Borrowers Cash Contribution | 0 | 0 |
| Deferred Developers Equity | 216,561 | |
| Tax Credit Equity | 4,253,707 | 58,270 |
| **Total Equity Financing** | **4,470,268** | **61,237** |
| | | |
| **TOTAL SOURCES** | **13,113,081** | **179,631** |

## USES:

| | | |
|---|---|---|
| Acquisition | 1,892,520 | 25,925 |
| Rehabilitation | 0 | 0 |
| New Construction | 6,799,044 | 93,138 |
| Architectual Fees | 358,900 | 4,916 |
| Survey and Engineering | 200,000 | 2,740 |
| Const. Loan Interest & Fees | 951,408 | 13,033 |
| Permanent Financing Fees | 100,550 | 1,377 |
| Legal Fees | 75,000 | 1,027 |
| Reserves | 180,722 | 2,476 |
| Contract Costs | 10,000 | 137 |
| Construction Contingencies | 395,223 | 5,414 |
| Local Fees | 409,546 | 5,610 |
| TCAC/Other Costs | 540,168 | 7,400 |
| **PROJECT COSTS** | **11,913,081** | **163,193** |
| | | |
| Developer Fee | 1,200,000 | 16,438 |
| Project Administration | 0 | 0 |
| Consultant/Processing Agent | 0 | 0 |
| | | |
| **TOTAL USES** | **13,113,081** | **179,631** |

## Annual Operating Budget — Skyline Village

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 510,300 | 6,990 |
| Laundry | 6,048 | 83 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **516,348** | **7,073** |
| **Less:** | | |
| Vacancy Loss | 25,817 | 354 |
| **Total Net Revenue** | **490,531** | **6,720** |
| **EXPENSES:** | | |
| Payroll | 79,671 | 1,091 |
| Administrative | 51,329 | 703 |
| Utilities | 45,220 | 619 |
| Operating and Maintenance | 37,850 | 518 |
| Insurance and Business Taxes | 20,176 | 276 |
| Taxes and Assessments | 7,550 | 103 |
| Reserve for Replacement Deposits | 29,200 | 400 |
| **Subtotal Operating Expenses** | **270,996** | **3,712** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 181,571 | 2,487 |
| **Total Financial** | **181,571** | **2,487** |
| **Total Project Expenses** | **452,567** | **6,200** |

**Cash Flow** Skyline Village CHFA # 00-032-S

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents / manager | 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 | 510,300 | 523,058 | 536,134 | 549,537 | 563,276 | 577,358 | 591,792 | 606,588 |
| **TOTAL RENTAL INCOME** | 510,300 | 523,058 | 536,134 | 549,537 | 563,276 | 577,358 | 591,792 | 606,586 |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 6,048 | 6,199 | 6,354 | 6,513 | 6,676 | 6,843 | 7,014 | 7,189 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | 6,048 | 6,199 | 6,354 | 6,513 | 6,676 | 6,843 | 7,014 | 7,189 |
| **GROSS INCOME** | 516,348 | 529,257 | 542,488 | 556,050 | 569,952 | 584,200 | 598,805 | 613,776 |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 25,817 | 26,463 | 27,124 | 27,803 | 28,498 | 29,210 | 29,940 | 30,689 |
| **EFFECTIVE GROSS INCOME** | 490,531 | 502,794 | 515,364 | 528,248 | 541,454 | 554,990 | 568,865 | 583,087 |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 236,246 | 245,696 | 255,524 | 265,745 | 276,375 | 287,430 | 298,927 | 310,884 |
| Replacement Reserve | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 5,550 | 5,661 | 5,774 | 5,890 | 6,007 | 6,128 | 6,250 | 6,375 |
| **TOTAL EXPENSES** | 270,996 | 280,557 | 290,498 | 300,835 | 311,582 | 322,757 | 334,377 | 346,459 |
| **NET OPERATING INCOME** | 219,534 | 222,237 | 224,866 | 227,413 | 229,872 | 232,233 | 234,488 | 236,628 |
| **DEBT SERVICE** | | | | | | | | |
| CHFA - 1st Mortgage | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 |
| CHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | | | |
| MHP Admin Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 |
| CHFA - HAT Loan | 0 | 0 | 0 | 0 | 0 | | | |
| **CASH FLOW after debt servic** | 20,927 | 40,666 | 43,295 | 45,843 | 48,301 | 50,662 | 52,918 | 55,057 |
| **DEBT COVERAGE RATIO** | 1.11 | 1.12 | 1.13 | 1.15 | 1.16 | 1.17 | 1.18 | 1.19 |

## *Cash Flow*

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.5* |
| Market Rents / manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.5* |
| Affordable Rents | 653,227 | 669,558 | 686,297 | 703,454 | 721,041 | 739,067 | 757,543 | 776,4 |
| **TOTAL RENTAL INCOME** | **653,227** | **669,558** | **686,297** | **703,454** | **721,041** | **739,067** | **757,543** | **776,4** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.5* |
| Laundry | 7,742 | 7,936 | 8,134 | 8,337 | 8,546 | 8,759 | 8,978 | 9,2 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **7,742** | **7,936** | **8,134** | **8,337** | **8,546** | **8,759** | **8,978** | **9,2** |
| | | | | | | | | |
| **GROSS INCOME** | **660,969** | **677,493** | **694,431** | **711,791** | **729,586** | **747,826** | **766,522** | **785,6** |
| | | | | | | | | |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.0* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.0* |
| Less: Vacancy Loss | 33,048 | 33,875 | 34,722 | 35,590 | 36,479 | 37,391 | 38,326 | 39,2 |
| **EFFECTIVE GROSS INCOME** | **627,921** | **643,619** | **659,709** | **676,202** | **693,107** | **710,435** | **728,195** | **746,4** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.0* |
| Expenses | 349,702 | 363,690 | 378,238 | 393,367 | 409,102 | 425,466 | 442,485 | 460,1 |
| Replacement Reserve | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,2 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.0* |
| Taxes and Assessments | 6,765 | 6,901 | 7,039 | 7,180 | 7,323 | 7,470 | 7,619 | 7,7 |
| **TOTAL EXPENSES** | **385,668** | **399,791** | **414,477** | **429,747** | **445,625** | **462,136** | **479,304** | **497,1** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **242,253** | **243,828** | **245,232** | **246,455** | **247,482** | **248,299** | **248,892** | **249,2** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CHFA - 1st Mortgage | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,5 |
| CHFA - Bridge Loan | | | | | | | | |
| MHP Admin Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,0 |
| CHFA - HAT Loan | | | | | | | | |
| **CASH FLOW after debt servic** | **60,683** | **62,257** | **63,662** | **64,884** | **65,911** | **66,728** | **67,321** | **67,6** |
| **DEBT COVERAGE RATIO** | **1.22** | **1.23** | **1.23** | **1.24** | **1.25** | **1.25** | **1.25** | **1.** |

## *Cash Flow*

| RENTAL INCOME | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents / manager | 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 | 836,186 | 857,091 | 878,518 | 900,481 | 922,993 | 946,068 | 969,719 | 993,962 |
| **TOTAL RENTAL INCOME** | **836,186** | **857,091** | **878,518** | **900,481** | **922,993** | **946,068** | **969,719** | **993,962** |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 9,910 | 10,158 | 10,412 | 10,672 | 10,939 | 11,213 | 11,493 | 11,780 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **9,910** | **10,158** | **10,412** | **10,672** | **10,939** | **11,213** | **11,493** | **11,780** |
| **GROSS INCOME** | **846,096** | **867,249** | **888,930** | **911,153** | **933,932** | **957,280** | **981,212** | **1,005,743** |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 42,305 | 43,362 | 44,446 | 45,558 | 46,697 | 47,864 | 49,061 | 50,287 |
| **EFFECTIVE GROSS INCOME** | **803,792** | **823,886** | **844,483** | **865,596** | **887,235** | **909,416** | **932,152** | **955,456** |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 517,645 | 538,350 | 559,885 | 582,280 | 605,571 | 629,794 | 654,986 | 681,185 |
| Replacement Reserve | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 8,247 | 8,412 | 8,580 | 8,752 | 8,927 | 9,105 | 9,287 | 9,473 |
| **TOTAL EXPENSES** | **555,092** | **575,962** | **597,665** | **620,232** | **643,698** | **668,099** | **693,473** | **719,858** |
| **NET OPERATING INCOME** | **248,700** | **247,924** | **246,819** | **245,364** | **243,538** | **241,317** | **238,679** | **235,597** |
| **DEBT SERVICE** | | | | | | | | |
| CHFA - 1st Mortgage | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 |
| CHFA - Bridge Loan | | | | | | | | |
| MHP Admin Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 |
| CHFA - HAT Loan | | | | | | | | |
| **CASH FLOW after debt servic** | **67,129** | **66,353** | **65,248** | **63,793** | **61,967** | **59,747** | **57,108** | **54,027** |
| **DEBT COVERAGE RATIO** | **1.25** | **1.25** | **1.24** | **1.24** | **1.23** | **1.22** | **1.20** | **1.19** |

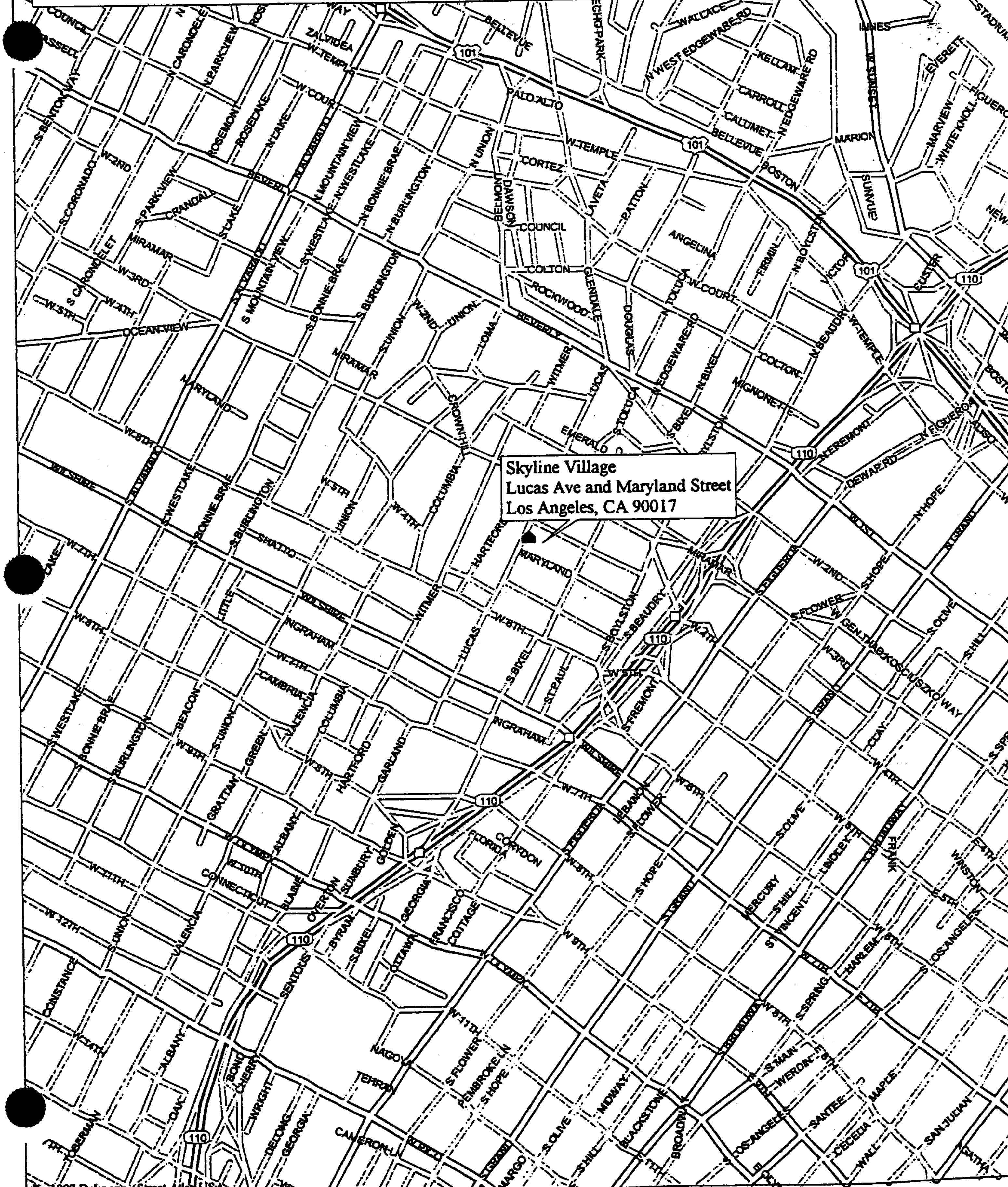
## *Cash Flow*

| RENTAL INCOME | Year 31 | Year 32 | Year 33 | Year 34 | Year 35 | Year 36 | Year 37 | Year 38 |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents / manager | 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 | 1,070,389 | 1,097,148 | 1,124,577 | 1,152,692 | 1,181,509 | 1,211,047 | 1,241,323 | 1,272,356 |
| **TOTAL RENTAL INCOME** | **1,070,389** | **1,097,148** | **1,124,577** | **1,152,692** | **1,181,509** | **1,211,047** | **1,241,323** | **1,272,356** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 12,686 | 13,003 | 13,328 | 13,662 | 14,003 | 14,353 | 14,712 | 15,080 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **12,686** | **13,003** | **13,328** | **13,662** | **14,003** | **14,353** | **14,712** | **15,080** |
| | | | | | | | | |
| **GROSS INCOME** | **1,083,075** | **1,110,152** | **1,137,906** | **1,166,353** | **1,195,512** | **1,225,400** | **1,256,035** | **1,287,436** |
| | | | | | | | | |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 54,154 | 55,508 | 56,895 | 58,318 | 59,776 | 61,270 | 62,802 | 64,372 |
| **EFFECTIVE GROSS INCOME** | **1,028,921** | **1,054,644** | **1,081,010** | **1,108,035** | **1,135,736** | **1,164,130** | **1,193,233** | **1,223,064** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 766,241 | 796,890 | 828,766 | 861,916 | 896,393 | 932,249 | 969,539 | 1,008,320 |
| Replacement Reserve | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 10,053 | 10,254 | 10,459 | 10,668 | 10,882 | 11,099 | 11,321 | 11,548 |
| **TOTAL EXPENSES** | **805,494** | **836,344** | **868,425** | **901,785** | **936,475** | **972,548** | **1,010,060** | **1,049,068** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **223,427** | **218,300** | **212,585** | **206,251** | **199,261** | **191,582** | **183,173** | **173,996** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CHFA - 1st Mortgage | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 | 181,571 |
| CHFA - Bridge Loan | | | | | | | | |
| MHP Admin Fee | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 | 17,037 |
| CHFA - HAT Loan | | | | | | | | |
| **CASH FLOW after debt servic** | **41,857** | **36,729** | **31,015** | **24,680** | **17,691** | **10,011** | **1,602** | **(7,575)** |
| **DEBT COVERAGE RATIO** | **1.12** | **1.10** | **1.07** | **1.04** | **1.00** | **0.96** | **0.92** | **0.88** |

THIS PAGE
INTENTIONALLY
LEFT BLANK

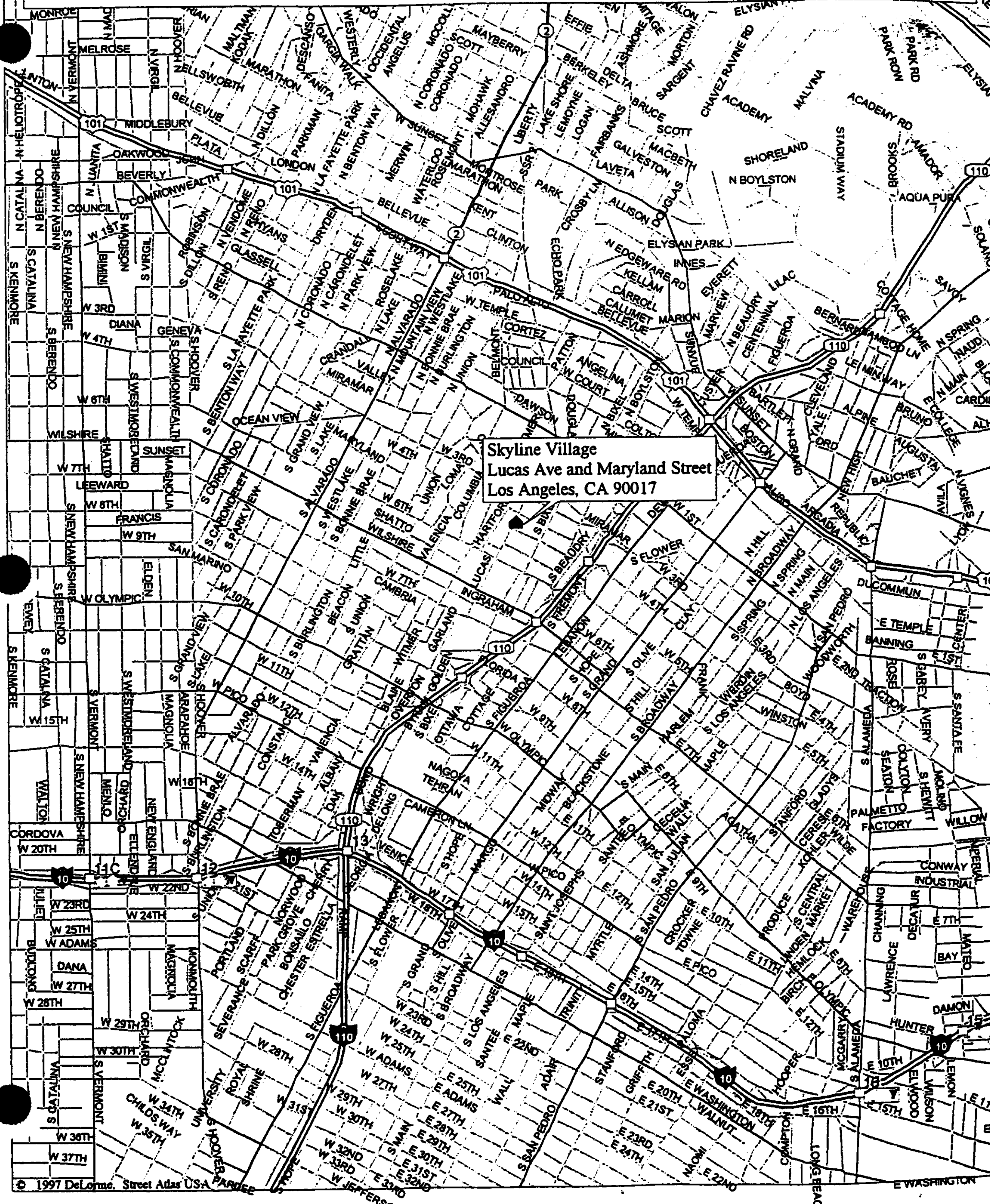
# Skyline Village

960



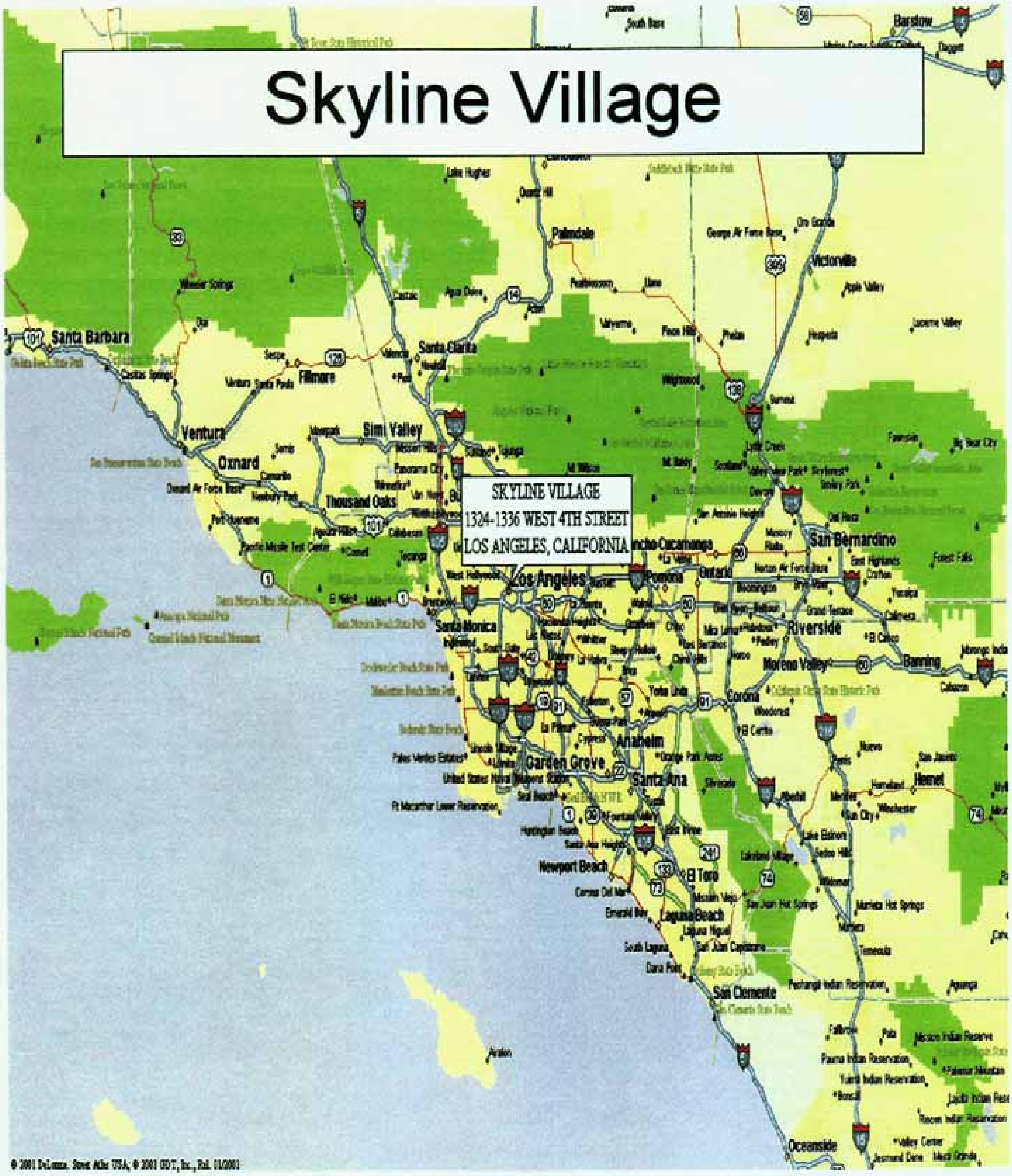
THIS PAGE INTENTIONALLY LEFT BLANK

# Skyline Village 958



THIS PAGE
INTENTIONALLY
LEFT BLANK

# Skyline Village



THIS PAGE
INTENTIONALLY
LEFT BLANK


Skyline Village
SKYLINE VILLAGE
1324-1336 WEST 4TH STREET
LOS ANGELES, CALIFORNIA
W 1ST
W 3RD
BLACKBURN
W 4TH
COLGATE
DREXEL
W 5TH
W 6TH
MARYLAND
LINDENHURST
ORANGE
METROPOLITAN PLZ
S ORANGE GROVE
S FAIRFAX
S HAYWORTH
S EDINBURGH
S LAUREL
S SWEETZER
S ORLANDO
S KINGS RD
S FLORES
S CROFT
S HARPER
S LA JOLLA
S GENESEE
S SPAULDING
S CURSON
S SIERRA BONITA
S OGDEN
S FULLER
N GARDNER
STANLEY
Farmers Market
Park La Brea
N HAMILTON
N GALE
© 2001 DeLorme. Street Atlas USA; © 2001 GDT, Inc., Rel. 01/2001
George C Page Museum Of La Brea Discoveries

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-15

RESOLUTION AUTHORIZING A FINAL
LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") has received a modification request from Skyline Village Limited Partnership, a California limited partnership, c/o Thomas L. Safran (the "Borrower"), seeking an increase of the loan commitment approved by Resolution 01-13 under the Agency's Loan-to-Lender and Tax-Exempt Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 73-unit multifamily housing development located in the City of Los Angeles to be known as Skyline Village (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 5, 2003 (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 February 20, 2001, as modified on March 5, 2003, 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 modified final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MODIFIED MORTGAGE AMOUNT |
|---|---|---|---|
| 00-032-S | Skyline Village<br>Los Angeles/Los Angeles | 73 | First Mortgage: $3,750,000<br>Loan-to-Lender: $9,000,000 |

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

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director 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 03-15 adopted at a duly constituted meeting of the Board of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ____________________
Secretary

State of California

# MEMORANDUM

**To:** California Housing Finance Agency
Board of Directors

**Date:** March 20, 2003

Linn Warren
Director of Multifamily Programs

**From:** **CALIFORNIA HOUSING FINANCE AGENCY**

**Subject:** GMAC FINANCIAL SERVICES CONTRACT

The Agency is seeking approval from the Board of Directors to engage GMAC Commercial Mortgage to underwrite and process CalHFA 236 loans pursuant to the Agency's Preservation Financing Program. This program is in response to the Agency's purchase of Fannie Mae's 236 Portfolio in order to preserve and recapitalize these projects through new financings.

GMAC is uniquely qualified to undertake this task given their extensive financing experience in all forms of HUD-assisted projects. GMAC would be the sole vendor for this financing program given their expertise and the discrete and complex loan population to be financed.

Specifically, GMAC will perform the following primary tasks:

- Solicit 236 loans on behalf of CalHFA
- Provide preliminary loan underwriting and analysis of HUD agreements
- Order and track third party reports
- Review rehab scope in conjunction with CalHFA
- Prepare final loan committee and Board reports using CalHFA forms
- Function as primary contact with borrower

For this service, GMAC will receive 1.00% of the final loan amount approved by CalHFA. All compensation to GMAC is included in the 1.00% payment. Payment to GMAC would be from loan proceeds or loan fees and would not be advanced from Agency funds except in certain circumstances. Depending on the effectiveness of the 236 financing program, annual compensation to GMAC could exceed $500,000 annually, which would generally equate to eight to ten projects closed per year.

The loan close process and actual funding would be conducted by Agency staff; GMAC would not be required to advance loan proceeds. GMAC would retain servicing on all loans they process.

The GMAC office designated to underwrite and process these loans is located in Sacramento with staff knowledgeable in the areas of CalHFA lending and HUD procedures.

The contract would be for a two-year term and compensation would be limited to $1 million.

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-16

GMAC FINANCIAL SERVICES CONTRACT

WHEREAS, the California Housing Finance Agency ("Agency") is statutorily authorized to enter into contracts for services; and

WHEREAS, the Agency is actively pursuing the refinancing of its 236 loan portfolio; and

WHEREAS, the HUD 236 refinancing program has numerous components that require expertise in specific areas of loan underwriting, building rehabilitation, and HUD processing; and

WHEREAS, the Agency's staff is unable to meet the workload demands of the HUD 236 refinancing program while continuing to meet the demands of the Agency's other multifamily loan programs; and

WHEREAS, GMAC Commercial Mortgage Corporation ("GMAC") has extensive experience and is uniquely qualified in program development, underwriting and processing loans for affordable housing projects; and

WHEREAS, the Agency wishes to enter into a contract whereby GMAC will provide certain underwriting and loan processing services to the Agency, and whereby GMAC will be compensated, primarily from borrower-paid loan fees,

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

1. The Executive Director is authorized to negotiate and execute a contract with GMAC Commercial Mortgage Corporation for the processing and underwriting of HUD 236 loans, on terms and conditions that the Executive Director deems reasonable and appropriate.

I hereby certify that this is a true and correct copy of Resolution 03-16 adopted at a duly constituted meeting of the Board of Directors of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ____________________
Secretary

THIS PAGE
INTENTIONALLY
LEFT BLANK

State of California

# MEMORANDUM

**To:** California Housing Finance Agency
Board of Directors

**Date:** March 20, 2003

Linn Warren, Director
Multifamily Programs

**From:** **CALIFORNIA HOUSING FINANCE AGENCY**

**Subject:** DELEGATED APPROVAL OF PRESERVATION ACQUISITION FUND COMMITMENTS

In November 2002, California voters approved the Housing & Emergency Shelter Trust Fund Bond Act of 2002 (Proposition 46). Included in the Housing Bond was the Preservation Opportunity Fund, a fund designed to facilitate the rapid acquisitions of federally-assisted at-risk projects. The California Housing Finance Agency (CalHFA) was designated to administer the Fund pursuant to its existing Preservation Acquisition Program.

**Background**

The Preservation Acquisition Fund is designed to preserve at-risk affordable housing developments by providing low-cost acquisition financing. The fund is comprised of monies authorized by Proposition 46 in the amount of $45 million ("General Fund"), and funds from CalHFA ("Agency Funds"). The program generally assumes that acquisition loans will be comprised of 75% CalHFA funds and 25% General Funds. The allocation of funds may vary depending upon loan and risk assessment by CalHFA. A primary goal of the program is for the combined funds to be repaid from permanent financing sources and recycled for new acquisition loans. CalHFA will administer both funds and underwrite the loans pursuant to its Preservation Financing Program lending guidelines.

Projects that are unable to secure permanent financing after acquisition may request that General Fund monies be converted to long term, residual receipt financing. CalHFA, in its sole discretion, may approve such requests, but only after a comprehensive review is conducted by the Agency, and it is determined that no other viable financing alternative is available to the project.

Every effort will be made to accommodate all loan applications; however, priority in processing and funding will be given to those projects with assistance expiring within two years. A second priority will be given to projects with assistance expiring within five years.

**Eligible Projects**
Assisted housing developments eligible for the Fund are defined by Government Code 65863.10, which includes:

- Section 8 Assisted
- BMIR 221 (d)(3)
- Section 236
- Section 202
- Programs under Rent Supplement Assistance
- Section 515
- Section 42 of the Internal Tax Revenue Code

**Fund Structure**
A typical acquisition loan will cover up to 100% of the acquisition cost and will be comprised of the General Funds and loan proceeds from CalHFA in a ratio generally of 25% to 75% respectively. The loans would be processed through the Multifamily Program's Preservation Financing Program and would be subject to staff's normal and customary loan due diligence. The 25% of General Funds is essentially the "risk" monies in the acquisition transaction. Any loss or loan restructuring would result in the primary loss being taken first by all the General Funds. Consequently, the Agency's risk under this loan program is significantly less than if the Agency were making a 100% loan-to-cost acquisition entirely with its own funds.

With the established loan due diligence now employed by the underwriting staff, the Agency assumes permanent financing can be readily obtained either through its own permanent lending program or through other affordable housing lenders.

**Lending Volume**
The volume of loans for the coming fiscal year is estimated to be $72 million, of which CalHFA will contribute 75% or $54 million with the $18 million balance from the General Fund. This equates to approximately 960 units (($75,000 per unit acquisition cost) or 8 to 12 projects. Based on these estimates, the Agency's share of an average loan would be $5 to $6 million, however larger loans are possible. CalHFA funds would be raised through short term borrowings.

**Delegation**
In order to effectively administer the acquisition fund as envisioned by the Housing Bond, the Agency needs to enhance its ability to process, approve and fund these loans in a short time frame. This shortened time frame will allow affordable housing purchasers to more effectively compete with market rate buyers and save at-risk housing. To accomplish this goal it is recommended that the CalHFA Board of Directors delegate loan approval authority for the acquisition loans under the proposed guidelines:

- The Board of Directors will delegate the authority to issue final loan commitments to the CalHFA Executive Director and its senior management for all loans made pursuant to the Preservation Acquisition Fund under the provisions of Proposition 46. The Executive Director will develop the necessary procedures for senior staff review and evaluation prior to approval.

- The Executive Director of CalHFA will approve loan commitments recommended by senior management staff. In the Executive Director's absence, the Chief

Deputy Director or the Director of Multifamily Programs may execute and authorize such loan commitments.

- The Director of Multifamily Programs will report in writing to the Board of Directors at each meeting the loan approvals approved by the Agency under this delegation.
- Any permanent loans processed as a result of the Preservation Acquisition Fund loan will be brought to the Board of Directors for approval in accordance with normal Agency procedures.

THIS PAGE INTENTIONALLY LEFT BLANK

# RESOLUTION 03-17

## EXECUTIVE DIRECTOR'S AUTHORITY TO ENTER INTO PRESERVATION OPPORTUNITY FUND LOAN COMMITMENTS

WHEREAS, California voters have approved the Housing & Emergency Shelter Trust Fund Bond Act of 2002 (Proposition 46); and

WHEREAS, said Act created the Preservation Opportunity Fund, whereby the Agency will administer such fund to make short term acquisition loans in combination with Agency loans from its Preservation Financing Program; and

WHEREAS, the Agency must, in order to effectively administer this program, approve and fund such loans within a relatively short time frame; and

WHEREAS, such shortened time periods will permit prospective affordable housing purchasers to better compete with market rate buyers, and thus preserve affordable housing projects; and

WHEREAS, these time requirements will be better met if the Executive Director is delegated the authority to approve such loans directly,

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

1. The Executive Director may create an expedited approval process pursuant to which loan commitments for loans made in conjunction with the Preservation Opportunity Fund created under Proposition 46 may be approved by the Executive Director, or in the absence of the Executive Director, the Chief Deputy Director or the Director of Multifamily Programs.

2. The Director of Multifamily Programs shall report to the Board, from time to time, at regularly scheduled meetings, lists of the loans approved under this authority.

3. The Executive Director may develop any procedures necessary or proper to implement this process.

I hereby certify that this is a true and correct copy of Resolution 03-17 adopted at a duly constituted meeting of the Board of Directors of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ____________________

Secretary

THIS PAGE INTENTIONALLY LEFT BLANK

# MEMORANDUM

**To:** **Board of Directors** **Date:** 3-06-03

Tom Hughes, General Counsel

**From:** **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Agenda Item 7 for March 20, 2003 Board Meeting
Capital Support for CaHLIF

This agenda item requests that the Board authorize the Executive Director to restructure the capital support given by the Agency to the California Housing Loan Insurance Fund. As the Board knows, CalHFA administers two separate and distinct accounting funds. The California Housing Finance Fund is the source of funds for the Agency's general operating expenses and core lending functions, and had assets, as of June 30, 2002, approaching $10 billion. The California Housing Loan Insurance Fund (the " Insurance Fund") is the source of operating funds and reserves for the Agency's mortgage guaranty functions. As of December 31, 2001, the Insurance Fund had total assets of less than $50 million, and equity of approximately $34 million. As a consequence of the disparate size of the funds, and the growth of mortgage insurance business over the past several years, the Board has over time taken a variety of steps to provide financial support to the Insurance Fund utilizing the resources of the Housing Finance Fund.

There is currently in effect a policy of financial support of the Insurance Fund pursuant to Resolution 93-18, passed in June, 1993. The Agency believes that the current structure of that support is out of date, and needs to be restructured. The existing resolution serves to pledge, from time to time, certain funds of the Agency to accomplish three goals: (i) the support of the Insurance Fund's programs of mortgage insurance contained in the business plan; (ii) the maintenance of those reserve and surplus levels as are required of the Fund by the California Insurance Code; and (iii) to maintain any capital requirements of Fannie Mae. The Agency staff agrees with those goals, and would like to add to them the additional goals that the Insurance Fund meet any capital requirements of Freddie Mac; and that it maintain any capital requirements of any ratings agency rating the Insurance Fund (such as Standard and Poor's).

The Agency staff has been engaged in intensive negotiations with General Electric Mortgage Insurance Company to conclude the terms of a reinsurance treaty by which the Insurance Fund would share risk with GEMICO as reinsurer. To that end, Agency staff has also been involved in discussions with Standard and Poor's regarding the current rating of the Insurance Fund, and the effect of the proposed reinsurance treaty upon the capital model used by S&P. At the time of the preparation of this report, the S&P ratings committee had not yet met, and the Agency staff had not yet received feedback from that committee as to the capital requirements applicable to the Insurance Fund. The proposed restructuring of the financial support of the Insurance Fund can not be fully determined, and the necessary policy decisions can not be made, until the Agency staff has received that information. Nonetheless, staff believes that such restructuring should be timed as closely as is possible with the proposed reinsurance treaty. Upon signing, the effective date of the treaty will be retroactive to March 1,2003. The staff expects to have this information from S&P prior to the Board meeting, and proposes to supplement the Board package prior to the meeting with a more concrete proposal and resolution for the board to consider.

At this time, the staff anticipates that it will be able to determine the extent of capital support needed to meet the stated goals, and that a debt structure acceptable to the ratings agency be created as a source of such capital. That structure could take one of several forms, including a line of credit from the Housing Finance Fund to the Insurance Fund, a letter of credit, or some other acceptable financial vehicle. The exact nature of the relationship can not be determined until the additional financial information from the rating agency is obtained.

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Corralitos Creek Apartments
## CalHFA Ln. # 02-055-L/N

**SUMMARY:**

This is a Final Commitment request for a loan to lender loan in the amount of $7,250,000 for two years at 3%, and a first mortgage, tax-exempt loan in the amount of $2,400,000 at 5.4%, amortized over thirty years. The Redevelopment Agency of the County of Santa Cruz is lending $1,325,000 for acquisition and construction costs. Corralitos Creek Associates, a California Limited Partnership, is the owner of the Corralitos Creek Apartments, a 64-unit, new construction project located at 125 Pajaro Circle, Freedom, California, Santa Cruz County.

**LOAN TERMS:**

| | |
|---|---|
| **Loan to Lender:** | $7,250,000 |
| Interest Rate: | 3.00%, simple interest only |
| Term: | Two Years |
| Financing: | Tax-Exempt |
| **1st Mortgage Amount:** | $2,400,000 |
| Interest Rate: | 5.4% |
| Term: | 30 year fixed, fully amortized |
| Financing: | Tax-Exempt |

**LOCALITY INVOLVEMENT:**

The borrower has received $1,325,000 from the Redevelopment Agency of the County of Santa Cruz. The loan will be amortized over 55 years, at 4% interest, and repayment will be from residual receipts. The Redevelopment Agency will record a 55 year regulatory agreement, which will be subordinated to CalHFA.

**PROJECT DESCRIPTION:**

**A. Site Design**

The parcel is a 5.5 acre, undeveloped site which is zoned RM3 for multifamily use. Because the project is 100% affordable, it has received a density bonus that allows for the development of 64 units on the site.

**B. Project Description**

The site fronts Pajaro Lane and Airport Blvd. in Freedom. The project will consist of four two-and three-story walk-up residential buildings containing 64 stacked flats, one recreation building, a tot lot and a recreational sport court. The project is located along a large open space and fitness trail along Corralitos Creek.

There are 12 one-bedroom, one-bath units (approximately 756 sq. ft.), 32 two-bedroom, one-bath units (approximately 852 sq. ft.) and 20 three bedroom, one and a half bath units (approximately 1,091 s.f.) Unit amenities will include individual water heaters, balconies or patios with storage, and garbage disposals. All units will have tile entries, vinyl in the kitchens and baths, and carpeting in the living rooms and bedrooms.

The construction will be wood frame on concrete slab, with Hardi-plank siding and an asphalt shingle roof. The project will have a tot lot, a sport court for activities such as basketball, shuffleboard and hopscotch, and barbeque areas conveniently located throughout the site. There will be two laundry rooms with 6 washers and 6 dryers in each laundry room. The community room will be 2,128 square feet and will contain an office, lobby, computer room, library, conference and meeting rooms, a kitchen and maintenance and storage areas.

There will be on-site activities and a learning program available at no charge to the residents. The outreach program provided will include English as a second language, computer and after school homework assistance.

Forty-nine of the units will be reserved for farm workers and their families.

**C. Relocation**

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

**D. Project Location**

The project is located in the town of Freedom, in Santa Cruz County. Freedom is located adjacent to Watsonville, at the southern end of Santa Cruz County in an area typically referred to as the Pajaro Valley.

To the south of the project are multifamily apartments, to the north and east are agricultural uses and to the west is a neighborhood retail center. The project is less than 1 mile from fire, police and medical services, and all levels of public schools are within 1 to 2 miles. Shopping of all levels is located at various retail locations within a distance of .25 to 1 mile away. The City of Watsonville offers 18 parks, five youth community centers and various intramural sports activities.

Convenient transportation is via Highways 1 and 129 and the Watsonville Municipal Airport is 1 mile from the site. An Acoustical Analysis completed October 16, 2000 stated that flight paths observed are consistent with Watsonville Airport Administration's noise abatement procedures and that mitigation of aircraft noise is not required for compliance with noise level standards for this project.

**MARKET:**

**A. Market Overview**

The site is in Santa Cruz County, which is located along the north end of Monterey Bay between San Mateo and Santa Clara County. Santa Cruz County is 440 square miles and has a population of 264,436 residents. The area's largest industry is the service/tourist industry (28%), followed by trade (25%), government (18%) and agriculture (10%).

A market study prepared by Laurin Associates Inc. in November 2002 states that the market area for the subject project includes the boundaries of the City of Watsonville, Corralitos Road, Highway 1 and the Pajaro River area. In all, the market area contains an estimated population of 76,259 people, or 29% of Santa Cruz County. The population in Santa Cruz County has experienced a 1.3% annual growth rate over the last 10 years and the Freedom Market Area has grown by 3.4% annually.

Currently 36% of the population in the Freedom Market area is under the age of 20, which indicates that the area has a strong family population. The majority of the households in this market (51%) have 3 or more people.

The majority of the housing in the Project Market area is single family. About 54% of the housing stock was built from 1970-2002, indicating a relatively new housing stock. Forty-three percent of the households in the Freedom Market Area are renters, which translates to a high percentage of single family homes that are currently utilized as rental housing.

The 2001 median household income in Santa Cruz County was $69,000. Within the project's PMA, the median income was $47,373. Thirty-five percent of the population within the PMA earns less than 50% of the HUD median income for Santa Cruz County. The percentage of renter households paying more than 30% of their income towards rent in Watsonville and Santa Cruz County is 46% and 40% respectively. Overall, a large percentage of the households in the Project Market Area are overpaying for their housing. In addition, in the City of Watsonville, about 35% of the households are living in overcrowded conditions.

**B. Market Demand**

Within the Freedom Market Area, there is a high demand for affordable housing. The market study estimated that the subject project would need to only capture 1.6% of the income-eligible households in the Freedom Market area in order to achieve lease-up of the subject property. In addition, there are presently no farm worker-designated complexes in the Freedom Market Area.

## C. Housing Supply

The market study reviewed sixteen projects in the PMA, consisting of seven market rate, general occupancy projects totaling 506 units, seven tax credit projects of 492 units and two HUD Section 8 projects totaling 300 units. Of all the projects surveyed, only six were considered competitive (335 units), primarily due to the age and condition of the projects. All of the competitive projects are tax-credit, four are fully occupied and have extensive waiting lists and two are under construction, with a scheduled completion date of late 2003. The overall vacancy rate in the Market Area is .5%, which suggests the need for more rental housing in this market.

The subject project amenities do not include dishwashers or air conditioning. A survey of the sixteen comparable projects shows that only 37% have dishwashers and none are noted to have air conditioning. The subject project therefore is considered typical of the market.

## PROJECT FEASIBILITY:

This project location, rents and amenities are expected to be well received by the general population and the farm worker population in the PMA. The management will provide programs and services that are targeted to families which exceed what is currently available in the general market. The unit amenity package is comparable to what is currently available in the PMA, and the market rents are lower than what is currently available in the market.

### A. Rent Differentials at 35% and 40% (Market vs. Restricted)

| Rent Level | Subject Project | Mkt.Rate Avg. | Difference | % of Market |
|---|---|---|---|---|
| **One Bedroom** | | $879 | | |
| 35% | $452 | | $427 | 53% |
| 40% | $517 | | $362 | 59% |
| **Two Bedroom** | | $1,155 | | |
| 35% | $543 | | $612 | 47% |
| 40% | $621 | | $534 | 54% |
| **Three Bedroom** | | $1,475 | | |
| 35% | $627 | | $848 | 42% |
| 40% | $717 | | $758 | 48% |

**B. Rent Differentials at 50% and 60% (Market vs. Restricted)**

| Rent Level | Subject Project | Mkt.Rate Avg. | Difference | % of Market |
|---|---|---|---|---|
| **One Bedroom** | | $879 | | |
| 50% | $646 | | $233 | 73% |
| 60% | $0 | | $0 | 0% |
| **Two Bedroom** | | $1,155 | | |
| 50% | $776 | | $379 | 67% |
| 60% | $931 | | $242 | 80% |
| **Three Bedroom** | | $1,475 | | |
| 50% | $896 | | $579 | 60% |
| 60% | $1,076 | | $399 | 73% |

**C. Estimated Lease-Up Period**

The market study states that full lease-up can be accomplished within 4 months of project completion, assuming an average of 16 units leased per month.

**OCCUPANCY RESTRICTIONS:**

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

RDA: 20% of the units (13) will be restricted to 40% or less of median income.
50% of the units (32) will be restricted to 50% or less of median income.
30% of the units (19) will be restricted to 60% or less of median income.

HOME: 11% of the units (7) will be restricted to 35% or less of median income.
38% of the units (24) will be restricted to 40% or less of median income.

TCAC: 50% of the units (32) will be restricted to 50% or less of median income.
30% of the units (19) will be restricted to 60% or less of median income.

**ENVIRONMENTAL:**

The site has historically remained undeveloped since records were available in 1948. Records show that the site had occasionally been used for agricultural, but primarily it was part of a larger fallow field. Land uses surrounding the subject site have historically been agricultural and more recently, residential.

A Phase I Environmental Site Assessment dated May 4, 2000 concludes that it is unlikely that the site has been adversely impacted by past or present contamination.

As a condition of the final commitment, the Phase I report will be updated.

**GEOTECHNICAL AND SEISMIC:**

A Geotechnical Investigation by Soil Surveys Inc. indicates that a limited area along Corralitos Creek has moderate potential for liquefaction during a strong seismic event. As a result, the buildings are being placed 100 feet from the creek bank and riparian areas. In addition, the community building and a portion of one residential building are recommended to utilize a spread footing foundation to mitigate possible earthquake damage.

As a condition of the final commitment, we will require a review of the geotechnical report and a seismic review by an outside party.

**ARTICLE 34:**

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

**DEVELOPMENT TEAM:**

**A. Borrower's Profile**

Corralitos Creek Associates, L.P. is a limited partnership formed for the development and ownership of the subject project. South County Housing Corporation Inc., a 501 (c)3 corporation, is the general partner and was founded in 1979. Since then, South County has acquired, rehabilitated and built 42 affordable housing projects with a total of 1,350 units in California, 679 of which are multi-family apartments.

**B. Contractor**

Kent Construction is the general contractor for the project. The firm was formed in 1996 and specializes in commercial construction. They have constructed four affordable projects as well as a variety of commercial, medical and public works projects. The Monticelli Apartments in Gilroy, developed and owned by South County and financed by CalHFA, were also built by Kent Construction.

**C. Architect**

The Dahlin Group Architects & Planners was founded in 1976 and is a full service design firm with offices in California and China. They have been involved in the design and supervision of various residential, commercial and recreational projects throughout the history of the company.

### D. Management Agent

South County Property Management, is an affiliate 501(c)(3) corporation of South County Housing Corporation. South County Property Management was incorporated in 1995 and shares the same board of directors as South County Housing Corporation. South County Property Management manages all 42 of South County's projects as well as 14 other residential and 7 commercial properties for other owners.

# Project Summary

248

Date: 11-Mar-03

## Project Profile:

| | | | | |
|---|---|---|---|---|
| *Project :* | Corralitos Creek Apartments | | | |
| *Location:* | 125 Pajaro Circle | | | |
| | Freedom | *Cap Rate:* | 7.25% | |
| *County:* | Santa Cruz | *Market:* | $0 | |
| *Borrower:* | Corralitos Creek Associates, L | *Income:* | $8,639,967 | estimated |
| *MGP:* | South County Housing Corp. | *Final Value:* | $0 | |
| *Admin.GP:* | Monterra Village Housing Corp. | | | |
| *LP:* | Monterra Village Housing Cor | ***LTC/LTV:*** | | |
| *Program:* | Tax-Exempt | *Loan/Cost* | 17.7% | |
| *CalHFA # :* | 02-055-L/N | *Loan/Value* | 84% | |

## Project Description:

| | |
|---|---|
| *Units* | 64 |
| *Handicap Units* | 3 |
| *Bldge Type* | New Const. |
| *Buildings* | 9 |
| *Stories* | 2 & 3 |
| *Gross Sq Ft* | 0 |
| *Land Sq Ft* | 239,580 |
| *Units/Acre* | 12 |
| *Total Parking* | 128 |
| *Covered Parking* | 0 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $2,400,000 | $37,500 | 5.40% | 30 |
| Santa Cruz County RDA | $1,325,000 | $20,703 | 4.00% | 55 |
| AHP | $400,000 | $6,250 | 0.00% | 30 |
| State of Calif. HOME | $3,500,000 | $54,688 | 3.00% | 55 |
| Neighborhood Reinvestment | $327,000 | $5,109 | 0.00% | - |
| Farmworker Housing Grant | $1,073,000 | $16,766 | 0.00% | - |
| County Reimbursement-traffic signal | $179,200 | $2,800 | 0.00% | - |
| Other | $0 | $0 | 0.00% | - |
| Deferred Developer Equity | $10,155 | $159 | 0.00% | - |
| Tax Credit Equity | $4,322,123 | $67,533 | 0.00% | - |
| Total Sources | **$13,536,478** | $211,507 | 0.00% | |
| CalHFA Bridge | $0 | $0 | 0.00% | - |
| CalHFA Loan to Lender | $7,250,000 | $113,281 | 3.00% | 2 |

## Unit Mix:

| Type | Manager | | 35% | | 40% AMI | | 50% AMI | | 60% AMI | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent | number | rent* | number | rent* | number | rent* | number | rent* | |
| 1 bedroom | | | 1 | 387 | 6 | 452 | 5 | 581 | 0 | 0 | 12 |
| 2 bedroom | 1 | 0 | 4 | 459 | 16 | 537 | 5 | 692 | 6 | 847 | 32 |
| 3 bedroom | | | 2 | 525 | 2 | 615 | 6 | 794 | 10 | 974 | 20 |
| 4 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **subtotal** | 1 | | 7 | | **24** | | **16** | | **16** | | |
| | | | | | | | | | | | **64** |

* net rent

## Fees, Escrows, and Reserves:

| **Fees** | **Basis of Requirements** | **Amount** | **Security** |
|---|---|---|---|
| Loan fees | 1.00% of Loan to Lender | $72,500 | Cash |
| | 0.50% of First Mortgage | $12,000 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of T/E Loans; or L to L if applicabl | $72,500 | cash |
| Inspection fee | $1,500 x months of construction | $18,000 | Cash |
| Construction Defect | 2.50% of Hard Costs | $153,874 | Letter of Credit |
| **Reserves** | | | |
| Utility Stabilization Reserve | 0.00% of Utilities | $0 | 0 |
| Operating Expense Reserve | 10.00% of Gross Income | $51,358 | Letter of Credit |
| Initial Deposit to Replacement Reserve | 0.00% of Gross Income | $0 | Cash |
| Annual Replacement Reserve Deposit - N | $350 per unit | $39,480 | Operations |

# Sources and Uses — Corralitos Creek Apartments

## SOURCES:

| *Name of Lender / Source* | Amount | $ per unit |
|---|---|---|
| CalHFA First Mortgage | 2,400,000 | 37,500 |
| Santa Cruz County RDA | 1,325,000 | 20,703 |
| State of Calif. HOME | 3,500,000 | 54,688 |
| Neighborhood Reinvestment | 327,000 | 5,109 |
| Farmworker Housing Grant | 1,073,000 | 16,766 |
| AHP | 400,000 | 6,250 |
| County Reimbursement-traffic signal | 179,200 | 2,800 |
| **Total Institutional Financing** | **9,204,200** | **143,816** |
| | | |
| ***Equity Financing*** | | |
| Tax Credits | 4,322,123 | 67,533 |
| Deferred Developer Equity | 10,155 | 159 |
| **Total Equity Financing** | **4,332,278** | **67,692** |
| | | |
| **TOTAL SOURCES** | **13,536,478** | **211,507** |

## USES:

| | | |
|---|---|---|
| Acquisition | 1,888,420 | 29,507 |
| Rehabilitation | 0 | 0 |
| New Construction | 7,519,381 | 117,490 |
| Architectual Fees | 316,268 | 4,942 |
| Survey and Engineering | 162,240 | 2,535 |
| Const. Loan Interest & Fees | 478,373 | 7,475 |
| Permanent Financing | 95,000 | 1,484 |
| Legal Fees | 51,088 | 798 |
| Reserves | 74,552 | 1,165 |
| Contract Costs | 15,000 | 234 |
| Construction Contingency | 485,111 | 7,580 |
| Local Fees | 1,120,460 | 17,507 |
| TCAC/Other Costs | 130,585 | 2,040 |
| **PROJECT COSTS** | **12,336,478** | **192,757** |
| | | |
| Developer Overhead/Profit | 1,200,000 | 18,750 |
| Consultant/Processing Agent | 0 | 0 |
| | | |
| **TOTAL USES** | **13,536,478** | **211,507** |

## Annual Operating Budget — Corralitos Creek Apartments

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 501,096 | 7,830 |
| Laundry | 12,480 | 195 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **513,576** | **8,025** |
| **Less:** | | |
| Vacancy Loss | 25,679 | 401 |
| **Total Net Revenue** | **487,897** | **7,623** |
| **EXPENSES:** | | |
| Payroll | 92,800 | 1,450 |
| Administrative | 41,720 | 652 |
| Utilities | 47,358 | 740 |
| Operating and Maintenance | 53,301 | 833 |
| Insurance and Business Taxes | 24,880 | 389 |
| Taxes and Assessments | 10,063 | 157 |
| Reserve for Replacement Deposits | 39,480 | 617 |
| **Subtotal Operating Expenses** | **309,602** | **4,838** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 161,721 | 2,527 |
| **Total Financial** | **161,721** | **2,527** |
| **Total Project Expenses** | **471,323** | **7,364** |

## Cash Flow — Corralitos Creek Apartments — CalHFA Development Num

| 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 (manager unit) | 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 | 501,096 | 513,623 | 526,464 | 539,626 | 553,116 | 566,944 | 581,118 |
| **TOTAL RENTAL INCOME** | **501,096** | **513,623** | **526,464** | **539,626** | **553,116** | **566,944** | **581,118** |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 12,480 | 12,792 | 13,112 | 13,440 | 13,776 | 14,120 | 14,473 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **12,480** | **12,792** | **13,112** | **13,440** | **13,776** | **14,120** | **14,473** |
| **GROSS INCOME** | **513,576** | **526,415** | **539,576** | **553,065** | **566,892** | **581,064** | **595,591** |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 25,679 | 26,321 | 26,979 | 27,653 | 28,345 | 29,053 | 29,780 |
| **EFFECTIVE GROSS INCOME** | **487,897** | **500,095** | **512,597** | **525,412** | **538,547** | **552,011** | **565,811** |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 260,147 | 270,553 | 281,375 | 292,630 | 304,336 | 316,509 | 329,169 |
| Replacement Reserve | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 |
| Operating Reserve | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 2,304 | 2,350 | 2,397 | 2,445 | 2,494 | 2,544 | 2,595 |
| **TOTAL EXPENSES** | **309,602** | **320,054** | **330,924** | **342,226** | **353,981** | **366,204** | **378,915** |
| **NET OPERATING INCOME** | **178,295** | **180,040** | **181,673** | **183,185** | **184,567** | **185,807** | **186,896** |
| **DEBT SERVICE** | | | | | | | |
| CalHFA - 1st Mortgage | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 |
| CalHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CalHFA - HAT Loan (amortizing) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CASH FLOW after debt service** | **16,574** | **18,319** | **19,953** | **21,465** | **22,846** | **24,086** | **25,175** |
| **DEBT COVERAGE RATIO** | **1.10** | **1.11** | **1.12** | **1.13** | **1.14** | **1.15** | **1.16** |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Y |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | |
| Market Rents (manager unit) | 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* |
| Affordable Rents | 641,445 | 657,481 | 673,918 | 690,766 | 708,036 | 725,736 | 743,880 | 76 |
| **TOTAL RENTAL INCOME** | **641,445** | **657,481** | **673,918** | **690,766** | **708,036** | **725,736** | **743,880** | **76** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2* |
| Laundry | 15,975 | 16,375 | 16,784 | 17,204 | 17,634 | 18,075 | 18,527 | 1 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL OTHER INCOME** | **15,975** | **16,375** | **16,784** | **17,204** | **17,634** | **18,075** | **18,527** | **1** |
| | | | | | | | | |
| **GROSS INCOME** | **657,421** | **673,856** | **690,703** | **707,970** | **725,669** | **743,811** | **762,406** | **78** |
| | | | | | | | | |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5* |
| Less: Vacancy Loss | 32,871 | 33,693 | 34,535 | 35,399 | 36,283 | 37,191 | 38,120 | 3 |
| **EFFECTIVE GROSS INCOME** | **624,550** | **640,163** | **656,167** | **672,572** | **689,386** | **706,621** | **724,286** | **74** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4* |
| Expenses | 385,082 | 400,485 | 416,504 | 433,165 | 450,491 | 468,511 | 487,251 | 50 |
| Replacement Reserve | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 | 3 |
| Operating Reserve | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 | |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2* |
| Taxes and Assessments | 2,809 | 2,865 | 2,922 | 2,980 | 3,040 | 3,101 | 3,163 | |
| **TOTAL EXPENSES** | **435,041** | **450,501** | **466,577** | **483,296** | **500,682** | **518,763** | **537,565** | **55** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **189,508** | **189,663** | **189,590** | **189,276** | **188,704** | **187,858** | **186,721** | **18** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 | 16 |
| CalHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| CalHFA - HAT Loan (amortizing) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | | | | | | | | |
| **CASH FLOW after debt service** | **27,787** | **27,942** | **27,869** | **27,555** | **26,983** | **26,137** | **25,000** | **2** |
| **DEBT COVERAGE RATIO** | **1.17** | **1.17** | **1.17** | **1.17** | **1.17** | **1.16** | **1.15** | |

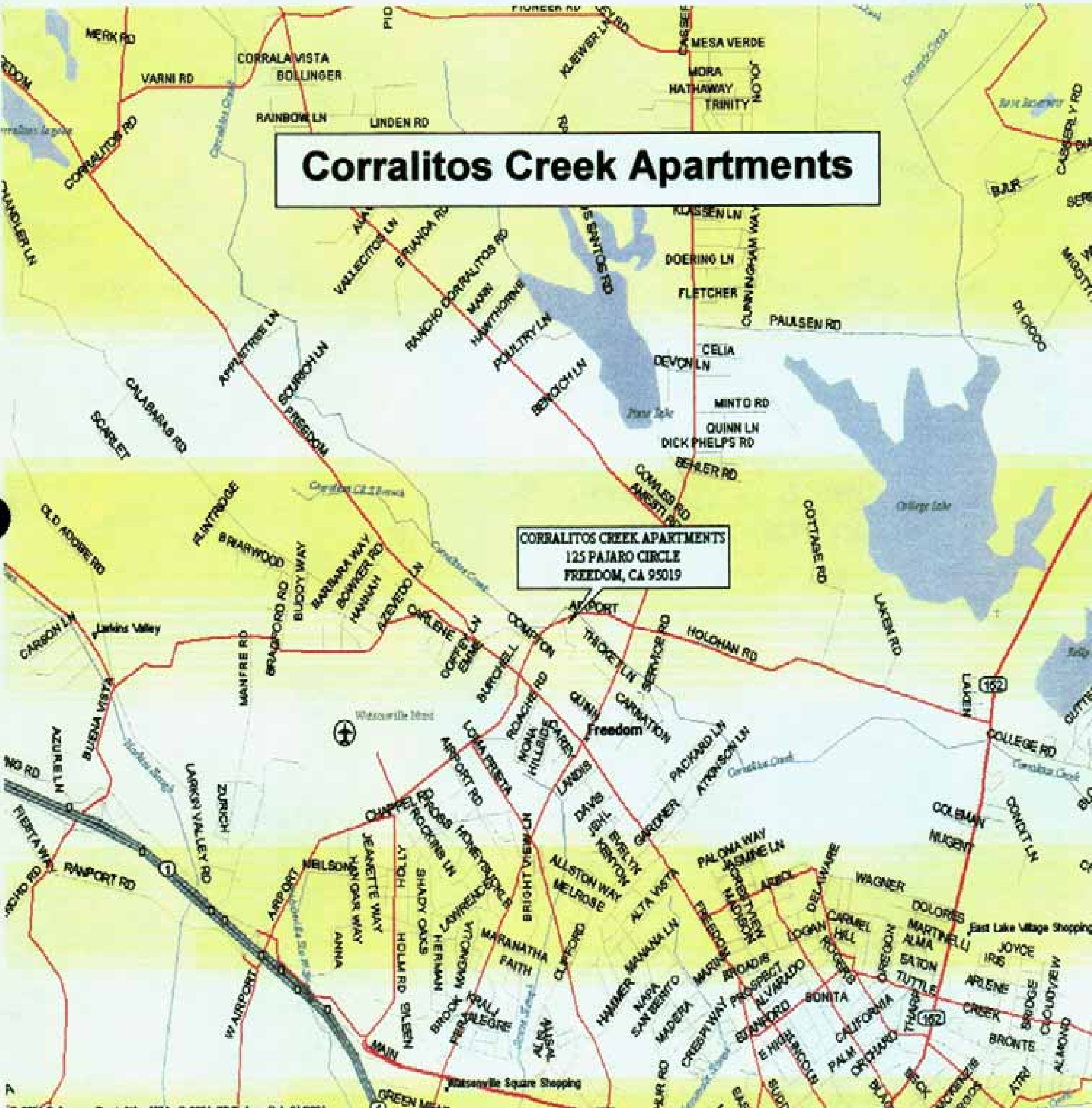
## Cash Flow

| 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 (manager unit) | 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 | 821,104 | 841,632 | 862,673 | 884,239 | 906,345 | 929,004 | 952,229 |
| **TOTAL RENTAL INCOME** | **821,104** | **841,632** | **862,673** | **884,239** | **906,345** | **929,004** | **952,229** |
| **OTHER INCOME** | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 20,450 | 20,961 | 21,485 | 22,022 | 22,573 | 23,137 | 23,716 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **20,450** | **20,961** | **21,485** | **22,022** | **22,573** | **23,137** | **23,716** |
| **GROSS INCOME** | **841,554** | **862,593** | **884,158** | **906,262** | **928,918** | **952,141** | **975,945** |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 42,078 | 43,130 | 44,208 | 45,313 | 46,446 | 47,607 | 48,797 |
| **EFFECTIVE GROSS INCOME** | **799,476** | **819,463** | **839,950** | **860,949** | **882,472** | **904,534** | **927,147** |
| **OPERATING EXPENSES** | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 570,015 | 592,816 | 616,528 | 641,189 | 660,425 | 686,842 | 714,316 |
| Replacement Reserve | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 | 39,480 |
| Operating Reserve | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 | 7,671 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 3,424 | 3,492 | 3,562 | 3,633 | 3,706 | 3,780 | 3,856 |
| **TOTAL EXPENSES** | **620,590** | **643,459** | **667,241** | **691,974** | **711,282** | **737,773** | **765,322** |
| **NET OPERATING INCOME** | **178,887** | **176,005** | **172,709** | **168,975** | **171,190** | **166,761** | **161,825** |
| **DEBT SERVICE** | | | | | | | |
| CalHFA - 1st Mortgage | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 | 161,721 |
| CalHFA - Bridge Loan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CalHFA - HAT Loan (amortizing) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CASH FLOW after debt service** | **17,166** | **14,284** | **10,988** | **7,254** | **9,470** | **5,040** | **104** |
| **DEBT COVERAGE RATIO** | **1.11** | **1.09** | **1.07** | **1.04** | **1.06** | **1.03** | **1.00** |

THIS PAGE
INTENTIONALLY
LEFT BLANK


Corralitos Creek Apartments
CORRALITOS CREEK APARTMENTS
125 PAJARO CIRCLE
FREEDOM, CA 95019
San Francisco
San Ramon
Alameda
San Leandro
Hayward
Livermore
Tracy
Manteca
Escalon
Oakdale
Ripon
Riverbank
Modesto
Waterford
Hickman
Hughson
Keyes
Westley
Turlock
Patterson
Ballico
Crows Landing
Hilmar
Newman
Gustine
Merced
Volta
Los Banos
Montara
Princeton
El Granada
Half Moon Bay
Foster City
Newark
Redwood City
San Carlos
San Mateo
Palo Alto
Stanford
Tunitas
Sky Londa
Los Trancos Woods
Sunnyvale
Alum Rock
San Jose
San Gregorio
Meridian
Campbell
Shandi
Loma Mar
Los Gatos
Santa Clara
Brookdale
Ben Lomond
Scotts Valley
Santa Cruz
Davenport
Watsonville
Hollister
Moss Landing
Castroville
Paicines
Marina
Salinas
Ft Ord Military Reservation
Seaside
Spreckels
San Benito
Pebble Beach
Monterey
Chualar
Gonzales
Carmel Valley
Soledad
Idria
Greenfield
Big Sur
Monterey
King City
Ohlone Regional Wilderness
Henry W Coe State Park
Pinnacles National Monument
Point Lobos State Reserve
Carmel River State Beach
San Juan Bautista State Historic Park
Fremont Peak State Park
Hastings Natural History State Reservation
Big Basin Redwoods State Park
Henry Cowell Redwoods State Park
Calero Reservoir County Park
Chesbro Reservoir County Park
1
35
82
84
85
101
120
108
152
33
99
198

THIS PAGE
INTENTIONALLY
LEFT BLANK


Corralitos Creek Apartments
CORRALITOS CREEK APARTMENTS
125 PAJARO CIRCLE
FREEDOM, CA 95019
Freedom
HOLOHAN RD
PAULSEN RD
COLLEGE RD
MINTO RD
QUINN LN
DICK PHELPS RD
BEHLER RD
COTTAGE RD
AIRPORT
GREEN MEADOW
Watsonville Square Shopping
East Lake Village Shopping
© 2001 DeLorme. Street Atlas USA; © 2001 GDT, Inc., Rel. 01/2001

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-18

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Corralitos Creek Associates, L.P., a limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 64-unit multifamily housing development located in the City of Freedom to be known as Corralitos Creek Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 11, 2003 (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 March 11, 2003, 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 CalHFA Staff Report, in relation to the Development described above and as follows:

| PROJECT NUMBER | DEVELOPMENT NAME/ LOCALITY | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 02-055-N | Corralitos Creek Apartments Freedom/Santa Cruz | 64 | First Mortgage: $2,400,000<br>Loan-to-Lender: $7,250,000 |

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

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

I hereby certify that this is a true and correct copy of Resolution 03-18 adopted at a duly constituted meeting of the Board of the Agency held on March 20, 2003, at Sacramento, California.

ATTEST: ____________________
Secretary